ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 180 Number 5358 | New York 7, N. Y., Thursday, September 9, 1954 | Price 40 Cents a Copy

EDITORIAL

As We See It

Day after day from this time until after the election the American public will continue to be regaled with the horrors which would befall this nation should the Republicans (or the Democrats, depending upon who it is that is doing the warning) win in November. Just how seriously the voter takes all this oratory it would be difficult to say. For our part, we think there has been an observable tendency to turn away from at least some of the extremes of the New Deal and the Fair Deal, and we should certainly regret any revival of them or the philosophy which underlies them. We are certain in our minds, therefore, that the outcome of the voting this autumn is of first rate importance, and we should not desire to give any contrary impression.

Yet we do feel that it is well worth while, yes, even essential that from time to time we remind ourselves of how far we still have to travel to get back to the good solid earth over which this country traveled to the enviable position which it has now attained. When this is done, it is at once evident that whichever party comes out on top this Fall, we shall have still left a staggering mass of legislation which can scarcely be regarded as other than "creeping socialism," and a public attitude which presages a long continuation of this same situation—in the absence, at any rate, of a much more positive and vigorous awakening of the rank and file to what is going on in this country.

We have a new tax law on the statute books of the nation, the product of long and intensive study and constructive effort to make cohesive sense out of the mosaic of innumerable statutes

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Atomic Energy Tomorrow

By HON. CARL HINSHAW*
U. S. Congressman from Calif.
Chairman, Research and Development Subcommittee
Joint Committee on Atomic Energy

Mr. Hinshaw, after presenting developments in the use of nuclear power in the military field, lists prospective peaceful applications of atomic energy in transportation, on land, sea, and in the air, as well as a fuel for electricity production and for other fields of industry. Says nuclear energy is already bringing about great changes in agriculture. Reveals contributions of foreign-born scientists in atomic energy development, and points out "we are not as much ahead of other nations as we would like to think." Stresses role of individual in scientific progress

The atomic era is now 15 years old. It began as an idea in the minds of a few scientists in Europe and in America, Since that time it has engaged the thoughts of a major segment of the scientific community. It has been backed by 12 billion American dollars. The truly brilliant ideas which underlie atomic energy development, coupled with this huge amount of treasure, has started an industrial revolution which you and I will see growing to full stature tomorrow.

Carl Hinshaw

Let us look ahead 10 years. That is only tomorrow in the history of achievement. I think we should all recognize what a short period 10 years is in the development of a new idea or discovery. Otto Diesel invented the diesel engine in 1887. Yet it was the mid-1930's — almost 50 years—before the diesel engine came into widespread use. George Parsons invented the steam turbine in 1884, but it was the early '20's — about 35 years — before the steam turbine came into widespread use in the generation of electric power and the propulsion of ships. The Wright

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*An address by Mr. Hinshaw before the National Security Commission and Committees, The American Legion, Washington, D. C., Aug. 27, 1954.

Investor's Appraisal of Periodic Stock Dividends

By O. K. BURRELL
Professor of Business Administration,
University of Oregon

Prof. Burrell, after explaining the nature of stock dividends and their effects on shareholder's equity, presents a method of measurement of the relative impact upon market price of small stock dividends as compared with cash dividends. Draws the conclusion that investors, though not averse to periodic stock dividends, prefer cash dividend payments. Estimates periodic stock dividends have a value ranging from 50% to 75% of the value of the same cash dividend.

Except under unusual circumstances, a stock dividend is not taxable as income to the recipient. The receipt of the additional shares operates merely to reduce the cost basis of the stock, with the result that the gain on ultimate sale is increased. But such gains, if the stock has been held for more than six months, are taxed at one-half the taxpayer's regular rate and with a maximum of 25%. Clearly, then, there is a tax advantage to the stockholder who receives his share of corporate earning in the form of a non-taxable stock dividend rather than in the form of a cash dividend. The tax payable by the corporation is, of course, the same whether a cash dividend or a stock dividend is used.[1] But, if corporate earnings are distributed in the form of a periodic stock dividend, there is a real advantage to the stockholder.

O. K. Burrell

It is perhaps unfortunate that the stock dividend

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1 But a penalty tax (Sec. 102) may be imposed if it can be shown that a company has accumulated surplus beyond the reasonable needs of the business. The surplus subject to such penalty tax is reduced only by taxable dividends. Payment of a non-taxable stock dividend would not operate to reduce liability if earnings are allowed to accumulate unreasonably. Clearly, then, the possible advantage of the periodic stock dividend is available only where capital is needed for expansion.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 29.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Union Pacific Railroad — G. M. Loeb, Partner, E. F. Hutton & Co., New York City. (Page 2)

The Omnibus Corporation—Arthur J. Neumark, Partner, H. Hentz & Co., New York City. (Page 2)

G. M. LOEB

Partner of E. F. Hutton & Co., New York City

Author of "The Battle for Investment Survival"*

Union Pacific

The outstanding feature of our stock markets since 1946 has been the steady absorption in increasing amounts of our very best equities. This has been supported by the economic background. Earnings and dividends of the quality companies, which in most cases are the largest companies as well, have been increasing at the expense of the marginal producers. The security buyer with new funds to invest currently is faced with paying an increasingly greater premium for the blue chips over the red than at any time in recent history. It is my very firm conviction that the price for quality should be paid. I think that expecting the followers to catch up with leaders will prove an exceedingly poor investment philosophy.

G. M. Loeb

Holding these beliefs it is difficult to find an issue meeting high quality standards that is behind the leaders in popularity. However, I have one candidate which I think is definitely in this category.

There are only four railroads which so far have become popular enough with the institutions to be listed among the so-called "favorite 50." There is one that ought to be and in my judgment soon will be, and that is Union Pacific. It is already held in small amounts by many of the best trusts and in the second quarter was purchased by Tri-Continental and Massachusetts Investors. Here is truly a case where increasing price-earnings ratio and decreasing yields can cause investment funds to profitably spill over into something of real merit.

Union Pacific as a railroad is a very first-class one indeed. Low fixed charges and stability in good times and bad are its principal characteristics. The road is less than 50% Dieselized and, as more Diesels come into service, costs will decline. The management is very alert to keep the costs in line with gross as well as to make fundamental improvements such as the new $16,000,000 Cheyenne-Dale line opened in May of last year.

More interesting than its railroad picture are its oil and gas operations and mineral possibilities. Last year on a realistic basis net income from transportation operations was $39,800,000 and from oil and gas operations $23,400,000.

As is the case with so many railroads, officer director holdings are small. The major exception is E. Roland Harriman who was reported in February as owning over 41,000 shares.

Union Pacific should come very close to earning $15 a share this year and the $6 annual dividend rate may be increased. It is also possible that some type of stock split may occur. Marketwise the stock has acted better since the beginning of June than it has in many years and a major advance seems in prospect.

*($2.95, 8th Printing, Hurry House Publishers, 61 Broadway, New York 6, N. Y.)

ARTHUR J. NEUMARK

Partner, H. Hentz & Co., New York City

Members: N. Y. Stock Exchange and all leading Stock Exchanges and Commodity Markets

The Omnibus Corp.

Sometimes the character of a company—the nature of its operation and its position as an investment—undergoes such a complete change in a brief period that it becomes in effect, an entirely new situation.

Arthur J. Newmark

The changes in the status of the Omnibus Corp. began with the sale, in September, 1952, of the Chicago Motor Coach Company to the Chicago Transit Authority; followed a year later by the purchase, from General Motors, of Hertz Stations, Inc. At this writing Omnibus owns Hertz outright; owns virtually all the shares of Fifth Avenue Coach Company, and directly and indirectly controls some 35% of the stock of New York City Omnibus. If the program now contemplated by the management goes through on schedule, which now seems virtually assured, the Fifth Avenue Coach-New York City Omnibus investment will be sold privately, and the funds thus realized will be used to accelerate the expansion and development of Hertz — in other words, concentrating on the passenger car and truck rental business.

The Hertz System

Once the transit properties are sold, Omnibus will in effect be exclusively in the vehicle rental business, consisting of two broad areas of operation. One is the Hertz-owned Driv-Ur-Self properties consisting of a company-owned fleet of 3,100 passenger cars serving 30 important cities; plus a large licensee system, through which privately owned companies in some 600 cities operate under the Hertz franchise and name. The other is the ownership of 5,100 trucks, rented to a number of corporations under long-term contracts; plus a licensee system, doing a similar job under independent ownership. There are some minor ramifications (for example, a small amount of automobile fleet rental is done under contract), but these other activities have thus far not been stressed.

Certain aspects of the Hertz operation provide strong evidence of having an important growth potential. The most significant are these:

(1) Hertz is by far the most prominent member of the relatively young automobile Driv-Ur-Self industry, as well as the only important national operator. The business is quite competitive, since there are in all large cities a great many independents. However, generally speaking, the rental rates charged by the independents (and required to realize an adequate return) are such as permit Hertz, through the benefits that come from large-scale operation and good cost control, to obtain extremely satisfactory profits.

(2) Hertz's Driv-Ur-Self operation can expand in a number of directions. From time to time licensee companies are offered for sale to the Hertz Company and may be purchased when the price is satisfactory. Airports constitute a rapidly developing market with a large potential, since some of the older airports and many of the new ones have not yet given contracts to car rental companies. The Hertz program contemplates representation of the Hertz System in every major airport in this country and in those foreign countries where Hertz operations are carried on. Hertz now operates at 151 airports and at a number of major railroad terminals.

But irrespective of new areas, the car rental industry shows a strong growth trend on a nationwide basis. Hertz consistently ran short of cars last year, and a substantial increase in the fleet is planned when new car models are brought out this fall. Aggressive advertising by the Hertz System, plus advertising support from the railroads, airlines and motor companies, is placing Hertz car-rental ever more prominently in the public eye.

(3) The trucking end of the business is very much larger than the passenger car division as to volume of sales, number of units involved and capital employed. However, margins are necessarily narrower; and profits, although larger in toto than for passenger cars, are not larger in proportion to these other factors. Trust fleet rental promotion has been stepped up in recent months, but this is still a bread-and-butter business—one which provides stable gradually growing income and relatively small capital risk.

(4) Assuming that the sale of the New York City traction properties go through on schedule, Omnibus will have an additional $4 million of liquid funds, which will be used partly as a contribution to working capital (through reduction of bank loans) and partly for fleet expansion. The company is in a position to borrow nearly the entire cost of new vehicles — 80-90% on passenger cars; 90-100% on trucks. The sale is, therefore, not essential to fleet expansion; rather it would create an easy financial condition, leading to a ready refunding of all existing obligations, and making possible a more aggressive exploitation of the growth possibilities of both car and truck rental.

Earnings and Potential

It is estimated that Hertz's earnings this year will be equal to $1.50-$1.65 per Omnibus share; however, if the New York tractions are still owned at the year-end, dividends to be received from them should raise Omnibus' earnings to well over $2. Actually, despite a probable small increase in revenues, Hertz's current earnings are expected to be modestly below the showing of 1953, in reflection of somewhat higher costs, higher interest charges, and a reduced profit from the resale of used vehicles. These conditions are part of the process by which

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Selected Railroad Mergers Solution to Industry's Plight

By DONALD V. FRASER*
President, Missouri-Kansas-Texas Lines

Mid-Western rail executive, in advocating selective consolidation of strong and weak neighboring railroads, maintains this would be a means of solving the industry's formidable problem of costs. Says changes in the national economy have reached a point where both railroad management and railroad security owners must give serious attention to benefits arising from consolidation of properties. Enumerates technical advances in rail transportation, and reviews benefits to be derived from piggy bank operations." Pleads for more favorable public thinking regarding railroads.

Under the pressure of doing business today, we all are inclined to become so engrossed in the job at hand that we fail to distingush the bigger picture. That is too bad, because we should raise our eyes from time to time for a quick appraisal of the industry as a whole. Such a look not only reassures us of the worth and importance of our individual efforts, but permits us to see, recognize and understand certain trends and developments which are shaping the railroad industry's future.

D. V. Fraser

It is such a look that I would like to share with you today. It seems to me that we are now at a significant crossroads, and that before us lies a great and new era —one that offers a clear challenge to the future of our industry.

And, because we seem to be approaching an important time of decision, I feel impelled to make an observation which I hope will excite the interest of all railroad management — for railroad management, too, even on the highest levels, frequently fails to appraise the industry as a whole.

For many years, in our drive for competitive advantage and individual success, as measured by corporate profits, we in management have been losing sight of the fact that our industry is made up of a group of interdependent units. We have neglected the cooperative viewpoint and have been prone to pass off as of no concern of our own the problems of our neighboring lines.

In this we have been blind to a basic truth — that no individual corporate success can be built without some contribution from others; that the prosperity and welfare of one is dependent, to a measurable degree, upon the prosperity and welfare of the rest, and especially of those in close proximity to us. I hope that management will ponder this problem, because its sympathetic understanding will go far to mend a breach which has widened increasingly in the last decade.

Needed: A Clear Understanding of the Railroad Problem

For years the public has been hearing much about the so-called railroad problem. But it seldom is told in simple, clear terms, what the problem consists of. That is understandable because, by its very complexity, it defies easy definition. To assimilate it in its entirety, we must study it piecemeal, then seek to fit all the elements into a recognizable whole.

But there are certain elemental truths which delineate this railroad problem, certain verities which have been tested and proved on the hard-rock of experience.

Frequently it is said that there is nothing much wrong with the railroads that a substantial and sustained dose of additional business cannot cure. That is true, so far as it goes.

But this cure depends for its success on the ability of the individual railroads to make a fair profit on that new business. Heavy traffic volume, by itself, is no guaranty of an adequate net return to the owners of the railroads. The experience of the war years demonstrated this. With all the business they could handle, Class I lines returned an average dividend to stockholders of only 2.8%.

Nor will the railroad problem be fully solved when some of the carriers are returning adequate profits but others remain, at best, merely marginal earners. Our industry can only regain its health when all segments share, to a substantial degree, in the general prosperity.

To face this problem frankly, the cost of operating our railroad system, as presently constituted and under existing conditions, is just too high to provide any assurance that a fair return on investment can be attained — and maintained — even if traffic volume substantially increases.

But, you may say, this is an old story, this is not a particularly new situation the railroads face. Haven't they been up against it before, and hasn't something always turned up to ease the strain and keep them moving ahead?

That is true. Within the past quarter-century our railroads have been rocking along on one crisis after another. Back in the early twenties the carriers found them-

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*An address by Mr. Fraser before the Treasury Division, Association of American Railroads, White Sulphur Springs, W. Va., Sept. 7, 1954.

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Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, September 9, 1954

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.

Other Publication

Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Foam Brews

By IRA U. COBLEIGH

Enterprise Economist

An autumnal look at the brewing industry with some notes about some of the companies that appear to be going ahead.

If you happened to have seen the new motion picture (in CinemaScope) "The Egyptian," you may remember a scene in which Pharaoh's mother was quaffing a king-size mug of beer. Since the time setting of this picture was 1300 B. C. I refer to the royal guzzling specifically to show that beer drinking (and making) is very old — several thousand years at least.

Ira U. Cobleigh

In addition to its antiquity, certain other things about the brewing trade seem to stand out. It's a "working man's drink" and has always been priced within the reach of all but the indigent. For this reason, beer consumption has not fallen off very much in times of depression; and it has not been the whipping boy, tax-wise, that "hard licker" has been. For example, the Federal tax on beer is only $9 per barrel; while that on whiskey is $10.50 per gallon. As a further evidence of wide popularity of the malty foam in home and tavern, the per capita consumption is now about 17 gallons a year per person, or a total of some 88 million barrels if you prefer big figures.

A few other characteristics of this unique industry should be set down before we talk about individual companies. For many years, breweries here were closely-held family-owned enterprises, and many of them still are—**Schlitz** and **Schaefer** for example. Brewing shares have for generations been quality investments in Europe, but they've had a harder time reaching investment status here, primarily because the whole industry was in a legal doghouse for 15 years from 1919. The return to legal spirits in 1934 witnessed a sort of stampede into the business. New breweries sprang up throughout the land but many turned out inferior beer and lacked the dough to advertise and expand. Some went out of business, many merged, so that today we have 400 less breweries than we had 20 years ago (now 345). The current trend is for the big to get bigger and by heavy advertising budgets and new plant location to seek broader geographic distribution. (For example **Anheuser-Busch**, a native of St. Louis, now distributes from Newark on the East Coast and Los Angeles in the West.) Fifteen companies now sell 50% of the beer.

Huge Home Consumption

Another highly discernible trend is away from draught beer. Those famous brewery horses of the 1910 era, pulled wagons or drays piled high with barrels—draught beer, that is, to be swigged behind swinging doors, or rushed in growlers to nearby homes (rushed so the foam wouldn't flatten). In that gaslit age, well over 80% of beer sold was draught beer. Now only about 25% is that way, the rest in bottles and cans. Two factors have had a lot to do with this turnabout; first, draught beer was expensive to transport and to keep iced, and second, there has been, in recent years, a sharp increase in beer drinking at home, for which television may be, in considerable measure, responsible. Packaged beer can be bought in thousands of delicatessens, chain stores, groceries and package stores throughout the country; and cans would no doubt be sold in vending machines, were it not for laws against sale of alcoholic beverages to minors.

Adequate Plant Capacity

Two other factors deserve mention, before individual companies are taken up. One is to note the quite sufficient capacity that has now been built up, suggesting that large capital outlays for new plant in the immediate future may not be required. Against projected sales this year of around the 90 million barrel level, there is existing capacity to produce annually 140 million bbls. Second, breweries, unlike distilleries, have no knotty inventory problem. They don't have to age the brews and they can turn over inventory 10 or a dozen times a year. This means they don't have to tie up a lot of cash in goods in process, and permits a quite generous cash distribution out of net earnings.

About growth, sales of beer have, since 1934, increased about 115%; and the population curve would suggest that, assuming present per capita consumption, between 2 and 3 million barrels a year might be added to present demand. This may not appear as a startling rate of growth; neither does it suggest the danger of a sharp falling off in sales in the coming years.

Anheuser-Busch

The two largest brewing companies, whose shares are available to the public, are Anheuser-Busch and Pabst, so a word or two about them seems not amiss.

Partly due to a 76-day strike last year in Milwaukee, which affected competitors (Blatz, Schlitz, Miller and Pabst), but not Anheuser-Busch, this century old enterprise moved into the number one spot as the world's largest brewer. It produces Budweiser, sold both on draught and in packages, and Michelob (draught only). It need not surprise you if you never heard of Michelob, as it accounts for but 3% of beer sales. The main plant in St. Louis, Mo., virtually a city in itself, can turn out 6,200,000 barrels a year; and this production is supplemented by a 1,800,000 barrel capacity in Newark, N. J., and 1,000,000 more per annum which can be made in the new Los Angeles plant, completed this year. There's another plant planned for New Orleans.

Net working capital is excellent (about $37 million at 3/31/54) and capitalization straightaway with $34,680,000 in long-term debt and 4,698,750 shares of common traded over the counter and currently selling at 30½. Cash dividends have been paid in every year since 1932 and there was, as well, a 5 for 1 split in 1947 and 5% stock dividend in 1953. Anheuser-Busch paid roughly 80c a share in Excess Profits Tax last year, so the company is in a peculiarly favorable position this year with E. P. T. locked up in the history books. Earnings of $2.82 for 1953 should be bettered this year and the $1.20 dividend could, conceivably, be jogged up a bit.

Pabst Brewing Co.

Pabst Brewing Company, like Anheuser-Busch, has branched out from its home plant (Milwaukee). It, too, has opened breweries in Los Angeles and Newark. It has a fourth plant in Peoria Heights, Ill., and altogether these facilities can turn out 4½ million barrels of beer a year—Blue Ribbon that is. Pabst also has an important stake in the soft drink business through its ownership of **Hoffman Beverages**. Non-fattening and canned soft drinks are the newest additions to its total sales effort.

Pabst capitalization consists of $6,350,000 in long debt and 4,133,520 in common (as a result of a 3 for 1 split in 1949). Indicated dividends of $1 per share are protected by net earnings which for 1953 amounted to $1.56 a share. This year the picture is considerably brighter since profitability in last year was substantially reduced by the 76-day strike above mentioned. Dividends have been paid since 1941 (the record of payment before then has not been made public). Finances are strong and "Blue Ribbon" is getting to look more like a blue chip every day. Stock traded over the counter around 16.

Jacob Ruppert

Jacob Ruppert is ranked eighth among the breweries with a capacity rated at 2,500,000 barrels. It is still heavily in draught beer which accounts for about 40% of sales and it has not spread out for national sales coverage, serving principally New York and New England with Knickerbocker beer. A combination of not too aggressive sales and promotion, plus rather high distribution costs, particularly in metropolitan New York, reduced profitability for some years, but in 1951 the corner turned and the enterprise has done substantially better since.

For the investor, after $1,375,000 of 3½% notes due 1963, there is available 25,000 shares of $4.50 preferred stock selling around 80 to yield 5.65%. An attraction here is a sinking fund to retire the issue at up to $105.50 per share. The 500,000 shares of common have considerable leverage but due to earnings fluctuations and a rather irregular dividend record, must be accorded a speculative rating. A sharp upturn in net could, however, be swiftly translated in the per share figure, which last year was $1.43. Listed N. Y. S. E. RUP sells at 12¼.

Other Companies

We didn't have time to cover them all, and it is suggested that if you enthuse about brews, you look up **Falstaff** and **Goebel**, which have been moving ahead, and **Pfeiffer** is quite attractive on a current yield basis. All these issues sell, I believe, below 20, and have not shared in recent market upsurges.

It is not suggested that market meteors may appear among the brewing equities, but it is quite obvious that the larger units, and particularly those selling in the national market, are gaining investment status and offer considerable insulation against any general business decline that might occur. Despite the cooling and delectable foam of their products, they are not frothy investments.

Floyd DeLap Joins Dempsey-Tegeler & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Floyd C. DeLap has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. DeLap has recently been with Shearson, Hammill & Co. and prior thereto was an officer of John B. Dunbar & Co. and was local manager for Cruttenden & Co.

Robert N. Hoffman has also been added to Dempsey-Tegeler & Co.'s staff.

Ferrell & Ferrell Add

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — Mary M. Maffey has been added to the staff of Ferrell & Ferrell, 411½ Main Street.

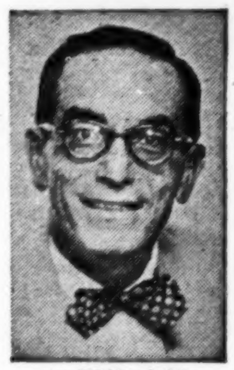
Observations . . .

By A. WILFRED MAY

The Park Bench in the Middle-of-the-Road

A newly published Baruch volume *(A Philosophy For Our Time, by Bernard M. Baruch, 49 pp., Simon and Schuster, New York—$2.)* has very important as well as timely aspects.

A collection of four lectures delivered recently at the new Bernard Baruch School of Business and Public Administration of the City College of New York, it embodies as a kind of confession the ideas and ideals of the last sage in the world of business and government. Under the lecture-chapter headings entitled: "The Dominant Yearning of Our Time," "Making Economic Weather," "Man's Only Freedom," and "Where the Frontier Still Lives," age-old problems ranging the gamut from property and social justice to inflation and deflation are discussed in clear and simple terms.



A. Wilfred May

Bernard M. Baruch

To this writer the content is significant from two main angles. In contrast to all the current saga centered about this kindly gentleman, his informal advising of Presidents, and hosting to a Prime Minister, and his brains-trusting on park benches midst the kissing of babies and coddling of reporters, we are here reminded of the serious concrete public services emanating from one of the most rich and varied careers in our history. For after he had functioned as a member of the New York Stock Exchange and as an out-and-out stock speculator for many years, *B. M. B.* was in 1916 appointed by President Wilson a member of the Advisory Commission on National Defense and subsequently, still during World War I, Chairman of the War Industries Board. It is sometimes forgotten how Mr. Baruch made a constructive and vital effort to serve, as a world statesman, in 1946, as U. S. representative on the Atomic Energy Commission of the United Nations, in which capacity he drafted the epochal Baruch plan for international control of the atom.

The Long Road to Compromise

But of prime significance to this observer is the sage's arrival, at the twilight of his experience, at mere compromise between the relative advantages of the planned economy and the free market. For this compromise, here firmly arrived at and clearly and repeatedly indicated, surely is an authoritative version of today's prevalent ideological aim of getting the best of all possible worlds.

It is only when discussing war-time economics that Mr. Baruch, as has been his habit, is decisive in stating his convictions about the proper role of government—and here his reflections are, of course, invaluable.

That Basic Dilemma

Our great and experienced philosopher's final emphasis on flexibility, if not actual uncertainty, appears in his very opening paragraphs. On page one his basic dilemma is implied if not actually expressed as such, as follows:—"that old 'nothing can be done' philosophy never did appeal to me. I have never believed that man had to lie down dumbly before anything, whether flood, fire, famine, disease, drought, earthquake—or the effects of man's stupidities, including that most incredible folly of all—war. [sic] Still, I do not believe that one can ignore economic or natural laws without paying for it."

Still on the pro-planning side he says:—"Now, I, for one, do not see us *doomed* [italics mine] to remain prisoners of this cycle of breakdown and buildup"; and again, "Even as we must have sense enough to know when to come in and out of the rain, we must learn when it is wise for the government to step into things and when it should step out."

On the other hand, but a few lines further on: "the task is not to think up a number of ingenious actions which can be headlined as a seven or 10 point program of world salvation."

His middle-of-the-roadism is again epitomized as follows: "That, in short, is the philosophy I believe in: to seek out the course of reason that avoids both dumb submission and blind revolt. It is a philosophy which does not oppose change, nor does it welcome change simply for its own sake. Instead, it seeks to guide and control change so it can be harmonized with the laws of human existence and thus be less erratic and more fruitful."

Pro-Planning

Treating specifically of the role of government in its intervening, Mr. Baruch first says: "Regardless of the efforts of rainmakers, we cannot decide when the sun will shine or the skies will cloud over. But that does not mean, despite what Mark Twain said, that we can do nothing about the weather. The clothes we wear and the houses which shelter us are examples of our adjustments to the weather—so are umbrellas, air conditioning, electric blankets, refrigerators. By studying the experience and records of the past, we can predict in advance what kind of weather we are likely to have and how best to prepare for the weather, fair or foul. And so it must be with our efforts to improve the economic weather. . . . Even as we must have enough sense to know when to come in out of the rain, we must learn when it is wise for the government to step into things—and when it should step out."

But Also Pro-Free Market

But—once again, on the other hand, on the free-market side:—"Government intervention was supposed to bring economic security. But how much security can there be when no one

knows whether savings will have any value by the time one is too old to work or one's children have grown up? . . . One of the sharpest criticisms of do-nothing government was that it serves as a cloak for powerful interests who wanted to be left alone to despoil the country's resources and the public. But how unselfish are those who today invoke the power of government to further their own interests or to get votes? Is that the best we can do, to replace the old let-me-alone philosophy with a new 'gimme mine' philosophy?"

* * *

With our wise and long-traveled economic philosopher so clearly and sympathetically viewing both opposite sides of the policy route from the middle-of-the road, how can the public (or even our Presidents) be expected to make up their minds?

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

At this time of the year an increase of roughly 5% is customary in total industrial production for the nation-at-large but declares Dun & Bradstreet, Inc., such a seasonal rise has not yet appeared. Relatively low output of steel and automobiles has been significant, it adds, in keeping industrial activity at its current level and many manufacturers feel that the recently heralded early Fall pickup will not be realized as soon as it was expected.

There were some thought-provoking developments the past week. While work stoppages during the first half of the year have been at the lowest point in four years, increases occurred during the Summer and seem to be growing. Last week a major strike was called against another copper producer, the second large company in this industry to be so affected by labor difficulties. More than 20,000 copper workers are now idle.

The Justice Department made it known a week ago that there was concern in some government circles about the growing number of mergers which have taken place in recent months. Several new consolidations have occurred in the chemical industry and there are rumors of forthcoming mergers by makers of automobile parts.

Steelmaking operations are expected to climb again next week after being held in check this week by the Labor Day holiday, according to "The Iron Age," national metalworking weekly. But the outlook is for a gradual climb in production over the next three months.

Some steel orders for new auto models are beginning to trickle in, although they are not expected to hit high volume until October. By that time auto orders, which have recently been very slow, are expected to be one of the strongest factors in the market, this trade paper states.

Sluggish flat-rolled demand is also getting a boost from appliance makers who are raising their buying—some by as much as 50%, it notes. By November customers may have to wait as long as five weeks or more for delivery of cold-rolled sheets, compared with less than four weeks today. Tinplate demand, which had started to ease, is coming on again. This is also helping to firm the sheet market. Galvanized sheets are still tightest of all flat-rolled products, being supported by the grain-bin program, construction, air conditioning, and farm demand, "The Iron Age" continues.

Despite a gradual increase in new orders, steel consumption is still running ahead of production. Some purchasing agents are holding off buying steel as long as possible in the hope that lower prices might be offered. There's no doubt a lower offer could bring out some sizable orders. But there has been no break in the steel base price front. And there is no indication that consumers will be able to add any additional price concessions to

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The Television Art Progresses

By GEN. DAVID SARNOFF*
Chairman of the Board, Radio Corporation of America

Gen. Sarnoff, commenting on broadcasting and electronics progress, reveals that applications of television are rapidly expanding, and mentions its successful use in military operations. Points out new developments in color television, on which Radio Corporation and its broadcasting affiliates have already spent $50 millions. Says these organizations are faced with serious competition along these lines, but contends "pump is now primed" for rapid growth of color television, and the machinery is about to go to work. Discusses business aspects of radio and television networks.

It is a happy occasion for me to be here at this family gathering of NBC and its television affiliates. Our business is communications, and it is good for us to have these periodic opportunities to communicate among ourselves.

David Sarnoff

They give us the occasion to review where we stand in the enterprise based on our association; air our respective grievances; arrive at fresh understandings of our mutual responsibilities; and consider plans for advancing together in an art and industry that continue to grow in national importance.

Like Walter Damm, I have also been thinking back to our meeting over a year ago at Princeton. And I am naturally delighted that the affiliates recognize and value what has been accomplished by their network since that time.

Real progress has been made. It is due to the concentration of effort throughout the whole NBC organization and to the cooperation which you affiliates have put behind that effort. Certain problem areas remain, and they will be discussed in your business session. But I have every reason to expect that with the good foundation laid, the momentum gained, and with your support, NBC will be able to reduce the present problems so that it can move on to the new ones which are sure to arise. For the network business is a changing and precarious one. It has never been without its problems and probably never will be.

Broadcasting and Electronics

Although much of my time is occupied with other phases of the electronic arts, I assure you that I have never lost a lively interest in broadcasting or an active concern with it. It is one of the most dramatic expressions of electronics — the one which reaches the people most directly and continuously.

But it is more than that. The broadcast service you and we supply is the end product of a whole field of invention, development, manufacturing and distribution which broadcasting has called into being. From the industrial base created by television is coming a stream of developments which will strengthen our economy, enrich our lives, and advance our national security.

Only a few weeks ago, one of these developments — the use of television as a battle weapon— was demonstrated at Fort Meade. Television cameras at vantage points on the scene of action brought the battle commander a total picture of what was happening at all points of the combat field, so that he could direct the action more effectively than if he were there. And this is only one of many examples of how electronics is serving our national defense.

In many ways, the business of broadcasting is unique. Not only does it render a vital national service, but it also serves as a base for continued progress in electronics which now revitalizes so many other industries. And I want to pay tribute to you as NBC affiliates and as leaders in an enterprise which makes such great contributions to our national life, both directly and indirectly.

The RCA-NBC Position in Color Television

Now we are engaged in bringing television to a new cycle of growth and service with the establishment of color. A new industry like color television just doesn't happen. It is the result of action — planned, painstaking and persistent action.

Someone must take the initiative. In the case of color television, this initiative must be backed by resources and the willingness to take great financial risks for pioneering the new development. For example, the RCA and NBC will have spent $50 million in pioneering color television to the commercial stage. And we also spent $50 million in pioneering black-and-white television to the commercial stage.

After the pioneering is done, others come in and benefit. This is quite natural and to be expected. But the pioneer with an instinct for creation and development will continue to lead, and those who are affiliated with him will benefit from that leadership.

It was only 15 months ago at Princeton that we outlined our plans for introducing a color service on our network. When compatible color standards were approved, we promptly put these plans into effect and they have since been completed on schedule.

During the past year, the NBC network did a tremendous job in paving the way for color broadcasting on a practical and commercial scale. As a result, it now has the most comprehensive color-equipped network, the biggest and best color studio and technical facilities, and the most extensive color experience. It has already sold $14 million worth of color programming and it is in complete operating readiness to enlarge its color schedule and to meet advertiser interest in color as it develops.

NBC's competitor is just now starting its introductory Year as we have concluded ours. We welcome its entry into the field of compatible color programming. But we mean to continue keeping ahead and to broaden the base of commercial color television.

I believe that within the very near future, the basis will be laid for what may be a surprisingly rapid development in color television. The availability of high appeal color shows and of 21-inch color receivers produced in quantity can create a snowballing growth in color circulation.

In this connection I assume you would like me to talk about RCA's new color tube and color receiver. As you know, a number of other manufacturers have recently entered the field, and it is becoming intensely competitive, with announcements and counter-announcements. I can only talk to you with knowledge about our own program.

Within two weeks from now—on Sept. 15 — RCA will demonstrate its new 21-inch tri-color tube, which we regard as a great practical advance in color tube

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*Remarks by Gen. Sarnoff at the Luncheon of the TV affiliates of the National Broadcasting Company, Chicago, Ill., Aug. 31, 1954.

Foreign Trade Troubles Ahead!

By RICHARD H. ANTHONY*

Executive Secretary, The American Tariff League, Inc.

Mr. Anthony describes world struggle for foreign trade involving a battle in which the strength and diversity of the U. S. domestic economy must be safeguarded and in which tariffs play an important role. Comments on the recent Swiss watch case, and points out there exists no intention of doing away with tariffs as such. Warns against tariff cutting in the case of Japanese goods, and condemns, in general, the General Agreement on Tariffs and Trade (GATT).

In the running debate on the tariff, the issue is frequently presented as if it were a question of whether we should or should not have tariffs at all. The public may be excused for losing sight of the plain fact that this country is and always has been wedded to a tariff policy. That is to say, Congress has set tariffs on a wide variety of imported articles and has no intention of doing away with those tariffs in toto. Neither major political party proposes such a step.

Richard H. Anthony

In other words, if you argue the question of tariff vs. free trade, you are arguing in a vacuum and to no practical purpose. There is no prospect of this country, or any other major trading country, adopting a free trade policy in the foreseeable future. The only issue worth discussing is the kind of a tariff policy we want.

Once that distinction is understood, not only is the domestic aspect of the tariff debate clarified, but its international aspects as well. All trading countries have tariffs as does the United States. In addition they resort to preferential rates, quotas, import licenses, exchange restrictions, state trading, bilateral barter deals and other devices, most of which the United States does not employ at all, or in a minor way.

There is no question but that the tariff policies of any one country have an impact on other trading countries. The whole purpose of our tariff is to regulate our incoming foreign trade. It may result in other countries selling us less of certain goods than they would like. Similarly our exports to other countries are limited by their numerous regulatory devices.

There is a fundamental difference of opinion as to what considerations should rule our tariff policy decisions. The League and its members, a large section of the public and, if the record is truly representative, a majority of the Congress feel that tariff policy should be primarily decided on the basis of insuring the domestic producer of fair competition in the American market with the foreign producer whose labor costs are so much lower than ours.

Is the American Producer Expendable

The State Department seems to feel that the American producer is expendable in the interest of our foreign policy and that when other countries want to sell us more goods, we ought to make it easy for them, even though we risk injuring our own industries. The State Department has been actively administering our tariff policy for the last 20 years primarily as an adjunct of our general foreign policy.

The reason the State Department is in the saddle today, is that the Trade Agreements Act of 1934 played into its hands. A simple delegation of power to make bilateral trade agreements with other countries has been uesd to justify the creation of an international body of rules and and organization which sits in judgment on us and makes us appear to be backtracking whenever we make a move to safeguard the interests of our domestic producers. I refer to the General Agreement on Tariffs and Trade, commonly called GATT.

A trade agreement, as originally contemplated under the Act of 1934, was bilateral in form. The United States and one other country agreed to reduce certain of their tariffs. Some provisions were added regarding the life of the agreement and how it could be terminated. While the early agreements generally had no escape clauses permitting withdrawal of any individual duty concession that brought injury in the country making it, the agreement could be modified by informal renegotiation, or the whole agreement could be terminated on notice. Only two countries were involved, the United States and one other. There were no chain reactions running through a string of countries with interlocking agreements as is the case today under GATT.

We got into today's fix by letting our State Department get away with a fundamental change in the type of trade agreement. After World War II, as part of an over-ambitious scheme to codify and police world trade by the creation of an international agency, the State Department abandoned the bilateral trade agreement approach and, instead, negotiated round-robin tariff agreements with 20 or more countries at a time. In addition to the resultant multilateral tariff reductions, there was created the organization known as GATT with general provisions making it difficult for the United States, or any signatory country, to modify any of its commitments without triggering a series of counteractions, recriminations, and charges of going back on liberal trade principles.

GATT is in a state of so-called provisional application and has never been submitted to Congress for approval as a treaty. Yet our State Department delegates to the various meetings of GATT act as if the United States were firmly committed. For example, they have twice agreed on behalf of the United States to continue the life of our tariff reductions beyond the original three-year period that ended in 1950, so that we are currently committed to maintain our present agreement rates, except for individual escape clause action, until June, 1955. Furthermore, the State Department generally urges the President not to use the GATT escape clause because to do so would give grounds for retaliation by the other signatory countries.

The State Department claims it is acting under the authority of the Trade Agreements Act and its several extensions despite the fact that Congress, in a number of bills in recent years, has added a *caveat* which states "enactment of this Act shall not be construed to determine or indicate the approval or disapproval by the Congress of the Executive Agreement known as the General Agreement on Tariffs and Trade."

GATT and the Randall Commission

This Congressional warning, often reiterated, has finally hit its mark. The Randall Commission recommended that GATT be renegotiated and referred to Congress. The President agreed and the State Department is preparing for the task. However, as a result of earlier policies, our tariffs have been forced into a rigid downward pattern from which we can depart only by incurring ill-will abroad.

The Tariff Commission estimates that our average duty rate has been reduced since 1934 on dutiable goods from 24.4% to 12.2%, or a cut in half. A country with a 12% average duty on dutiable goods alone can hardly be called a "high tariff" country. If you extend the average to cover free and dutiable goods it works out to 5.1% in the Tariff Commission's figures. The League has calculated that, in a list of 43 countries, our average tariff puts us 7th above the country with the lowest average.

It is the fact that we are a low tariff country with a rigid downward pattern of rates that makes the handful of duty increases in recent years so newsworthy. Of the five "escapes" we have taken only one has been of major importance, the one providing for duty increases on certain categories of watches. This restoration of earlier rates, resulting in increases ranging from nine cents to $1.15 a watch, has given rise to unfair and mistaken claims that we were running out on other countries. What the President was trying to do was to preserve certain industrial skills needed in wartime. Switzerland is an admirable democracy, but we cannot count on her to meet our defense needs for timing mechanisms. Moreover, she is not a member of NATO nor of United Nations, nor even of GATT. She plays a lone game of international politics and is not justified in shaking an admonitory finger at the United States.

Is anything being done to ease our sorry situation which prevents us from taking steps to safeguard our domestic producers without incurring wrath abroad? The answer is "No!" All that is being suggested is more of the same.

The State Department is planning to suggest revisions of GATT at its forthcoming meeting. However, the Department is not raising the issue of whether there should be a GATT at all, or whether something better and less cumbersome could be devised. In its announcement inviting the views of interested parties, the Department said that the review of GATT would include an examination of whether the provisions of the present Agreement have worked satisfactorily in certain particulars, and "may include proposals for modification of any of these articles or for the addition of new articles on these subjects to the Agreement."

In our view it will do little good to make changes within the GATT framework. GATT is the phoenix rising from the ashes of the discredited International Trade Organization. The ITO was widely condemned in this country as being based upon a planned economy concept in which areas of the world were ultimately to be induced to specialize rather than diversify their production. Congress frowned on the ITO and the State Department ultimately withdrew it. However, GATT is a little ITO. Many GATT provisions are lifted bodily from ITO. GATT in its scope and provisions for self-amendment has all the potentialities for becoming an ITO in all but name. In fact the Contracting Parties to GATT specifically "undertake to observe to the fullest extent of their executive authority the general principles" of ITO as they relate to such subjects as employment, economic activity, commercial policy, restrictive business practices and inter-governmental commodity agreements—in other words, the core of ITO.

The League's view, as adopted at its 1953 annual meeting, is that GATT should "be dissolved and in its stead the appropriate United Nations agency should gather and publish information and uniform statistics on the international trade of all countries. That agency should invite representatives of all nations to meet from time to time to review international trade practices, to recommend changes and improvements, and to hear reports from countries as to their compliance with previous recommendations."

GATT and its future thus constitutes one trouble on the horizon.

Another Trouble — Tariff Concessions to Japan

Another trouble ahead is our government's insistence on making tariff concessions to Japan, and of getting other countries to do likewise, in the face of opposition abroad and fears at home that Japan will again disrupt world markets as she has done in the past.

Our State Department is worried lest Japan fall into the Communist sphere of influence in Asia. Of course, none of us want that to happen. The Department seems to think that if the United States, Great Britain, Canada, Australia, France and other countries will lower their tariffs on the things Japan wants to export, Japan will be kept within the orbit of the free nations.

There are two possible flaws in this argument. First, Japan, reawakening as a sovereign power, is going to determine her course in what she considers her own best interest. She can be counted on to trade wherever she thinks it advantageous to herself. Naturally, she will take advantage of any concessions we make to her, but Communist Asia can make concessions to her also, and add a threat of reprisal if she ignores them.

Second, cutting tariffs is an uncertain approach to the problem. When we reduce our tariffs we customarily extend the lowered rates to all non-communist nations. Japan many find that some other countries will take advantage of the reductions made for her benefit.

If the State Department is convinced that opening western markets to Japan will keep her in our corner, then a positive approach would be to find out what she wants to sell, what we and other countries are willing to buy from her, and then arrange for the interchange, and in a way that will avoid injuring the domestic producers in the importing countries.

The possibility of injury is real, for Japan is more capable than ever of raising havoc in the markets of the United States. Her average cost of labor is about 19 cents an hour as compared to our average of $1.78 an hour. She can undersell us in most competitive lines right now, despite any advantages we may have in productivity. With our tariffs lowered the potentialities for injury to American producers is incalculable, particularly when we remember how reluctant is our government to invoke the escape clause on behalf of domestic industry.

The threat would be greater than heretofore for another reason. The day has gone by when Japan sent over a flood of shoddy, cheap goods that saturated the markets for certain articles. Since the war, with the help of U. S. funds, she is modernizing her industries, specializing in quality, and offering products in international trade never before identified with Japan.

In the aid-for-India program, according to "U. S. News and World Report," the Japanese were low bidders on 100 steam locomotives at $81,470 a piece, less than half of the lowest U. S. unit bid of $178,000. On turbine generators the Japanese bid of $67,035 was materially below the low U. S. bid of $82,174.

American industries are thus already getting a foretaste of what Japanese competition means when they attempt to export to third countries. With that trend started it cannot be long before Japanese competition will have moved into the home market for many industries which never thought they would have to worry about a "made in Japan" label.

So, Japan means trouble ahead for many American producers.

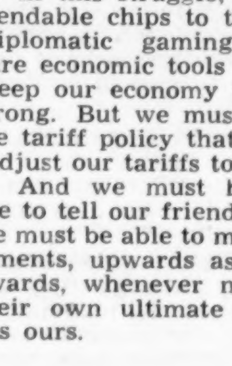
No one is suggesting we shut our doors to foreign trade. All we say is, avoid trouble wherever possible; remedy trouble when it occurs. Above all, let us give our first thought toward safeguarding the strength and diversity of our domestic economy. Otherwise we shall be unable to help ourselves or our friends around the world. Today's world struggle is a battle of giants. Like it or not, we must remain a giant if we are to hold the line for freedom.

Tariffs have a constructive role to play in this struggle, not just as expendable chips to throw on the diplomatic gaming tables. They are economic tools that can help keep our economy balanced and strong. But we must have a flexible tariff policy that permits us to adjust our tariffs to suit our needs. And we must have the courage to tell our friends abroad that we must be able to make such adjustments, upwards as well as downwards, whenever necessary, for their own ultimate good as well as ours.

*An address by Mr. Anthony before the Rubber Manufacturers Association, White Sulphur Springs, West Va., Aug. 31, 1954.

John Butler Now With First Boston Corp.

John Butler has joined the bank and insurance stock department of The First Boston Corporation, 100 Broadway, New York City it has been announced today. Prior to joining The First Boston Corporation he had been with Geyer & Co. Incorporated for 10 years.



John Butler

Andariese Now With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Wayne G. Andariese has become associated with the First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges. He was formerly with John Nuveen & Co. of Chicago in the underwriting department.

Joins Income Funds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Alexander G. Zabrowski is now connected with Income Funds Inc., 152 Temple Street.

The Fight for Free Trade

By HON. ROBERT W. KEAN*
U. S. Congressman from New Jersey

Congressman Kean states that not as a "free trader," but as a believer in "freer trade," has he introduced legislation to implement the President's trade program. Declares enactment depends on intensified education of public opinion. Maintains witnesses from industries having tariff protection always tell a practical story based on fear of foreign imports; while the pro-free traders ineffectively confine themselves to theory and generalities.

Foreign trade presents exciting possibilities for the future—some not too distant, others many years away. It is quite apparent that we are on the threshold of a period of enormous change in world production and world trade. The 600 million people of southeast Asia, once a negligible factor in any calculation of world trade are now groping for means to expand their production. One hundred seventy million people of Latin America and the 15 million people of Canada are already in the midst of a spectacular expansion of production. Africa and the Middle East will undoubtedly follow.

Robt. W. Kean

This industrialization will mean that people in those areas will become an enormous potential export market for American machinery, equipment and industrial products generally. Though, of course, there is no such a possibility, if Latin American purchasers bought as much per capita as Canadian purchasers do, our trade with Latin America would amount to about $75 billion instead of the $2 billion at present. It is elementary to remind you that foreigners cannot buy our products unless they find a method of paying for them.

Expansion of Backward Peoples

How could we best use the future expansion of backward civilizations for the best interests of the American people? Should we not resolve to take bold steps to take advantage of new world conditions? Is this not for the best advantage of the American worker and consumer—for the world in general? In considering any expansion of our foreign trade, the position which we take with relation to our protective tariff is of course, of paramount importance.

Ever since World War I, except for one very short period, it has been the American taxpayer who has in part subsidized our export trade because we placed all sorts of barriers against the admittance of necessary imports to balance this trade. First, in the days of World War I; then it was through loans to our allies both during the war and through post war loans which, by the way, never have been or never will be repaid. Then for a short time, our gullible investors took up the task when in the 20's our banking houses floated many heavy loans to governments all over the world, a large part of which were never repaid. Then came our purchase of most of the world's gold which we did not need; again at the taxpayers' expense. Then came Lend Lease, then the Marshall Plan and then the huge sum for purchasing arms for our allies which still continues.

Our taxpayers have to pay high personal income taxes. Our corporations pay taxes at 52%, most of which is passed on to the consumer in the higher cost of goods sold. Most of what we appropriate for foreign aid is placed to the credit here of dollar shy foreign governments. It never leaves this country. The money remains in our banks and then when foreigners buy our exports, the money goes into the pockets of the American wheat and cotton farmer and the manufacturer of automobiles, machinery and other items which are heavily exported.

We will never get these nations off our necks until we are willing to accept the steps necessary to balance our trade. We should not continue to let one group of our people thus indirectly support another group.

Freer Trade—Not Free Trade

I am not a free trader. I do not believe that many Republicans favor free trade, but I do believe in freer trade. It was because of this belief that I was happy to introduce in the past Congress HR 8860 to carry out the President's trade program. If re-elected, I expect to introduce HR 8860 again on the very first day of the 84th Congress. I am confident that if the Bill gets to the floor that it or a Bill containing much of the same provisions, will be passed by the House of Representatives.

I want to repeat a few of the principles which I outlined in my speech on the floor of the Congress last May which I believe we must always hold before us.

We must maintain and strengthen America's industrial might, for this has been, and will continue to be the chief deterrent to any attack by communist powers.

We must also strive to maintain the fullest possible employment in our Nation, and continually try to increase the standard of living of all our people.

But these objectives can only be met if we have economic stability abroad. While always keeping in mind the above, we must do all in our power to strengthen our friends in the free world.

The economic policy of the United States—where we stand and in what direction we are going—must be known, and known soon, by our friends. If they do not know our program they cannot plan their economic future and enact legislation to implement the policies they must adopt.

Fears were aroused in some quarters that with the election of a Republican administration we might withdraw into economic isolation. I believe these fears were unfounded: President Eisenhower well understands the facts of world economics and so do, in my opinion, the great majority of the Members of the Congress.

What our foreign friends want to know is: Are we retreating into our shell and forgetting the new position of leadership in the world into which the United States rather reluctantly has been forced as a result of two world wars: or will we take an enlightened position worthy of our world leadership?

Now is the time to let the world know what our future policy is to be.

There is no question in my mind that the position taken by the United States under the leadership of the Republican Party in the last half of the 19th century and in the first decade of the 20th century was the correct one, with world conditions as they then existed.

It was this Republican policy of protective tariffs which helped build up our Nation and made it great.

At that time it was the other nations of the world who had the resources and the capital. We must remember that our great network of railroads and many other of our then infant industrial enterprises were built with foreign capital, chiefly from Holland and Great Britain.

With World War I conditions changed and we became a creditor nation.

Since World War II it is the United States which has the capital and the wealth, which we hope will aid in building up a prosperous world and thus make a more prosperous America.

There are workers whose entire livelihood is dependent upon the only jobs they know—those in industries which have been protected by the tariff for many years. We must not undertake policies which will ruthlessly destroy these jobs.

Furthermore, we must not let foreign competition result in destruction of those industries which are essential to our national defense.

We must move slowly. But it is my firm belief that the direction which we should take for our Nation's good is toward a moderate reduction in our tariff walls.

As I said before, it is my firm opinion that if President Eisenhower's recommendations can get to the floor of the House, they will be passed. However, we will undoubtedly have trouble in the Ways and Means Committee, which has jurisdiction over tariff bills introduced in the House. As you are well aware, under the Constitution, all revenue bills must originate in the House of Representatives. Though the theory of "tariffs for revenue" only has long passed into oblivion, tariffs do bring revenue even though minor, in our present scale of taxation and therefore, the Ways and Means Committee has been designated by the House to originate tariff legislation.

Our Committee has had a good deal of education on tariff questions. Every year or so reciprocal trade renewal comes up and during the years I have been on the Committee, which covers a 10-year period, we have had hearings on the whole subject. Before us have come the same group of witnesses from industries which have considerable tariff protection. Most of them have all shown great fear of what might happen in the future. They tell the same story every two years. Some few have real reason for complaint—the Textile industry, for instance, beset as they are not only with foreign competition but with competition with southern mills where labor is not only cheaper but, as the mills are newer, goods can be manufactured more efficiently.

In favor of freer trade a few national organizations usually appear before us. Though they represent a really important segment of our industrial life, their presentation is usually theoretical. They do not get down to dollars and cents facts as to situations affecting individual businesses and their employees, so the appearance of the high tariff advocates, repetitious as it is, and though they only represent a small segment of the great business area of the United States, makes a strong case. For example, no business man has come before our Committee to show that a certain percentage of his business was foreign trade and has called to our attention that he would go broke if he could not continue his export business because foreign nations, through lack of import opportunities did not have the dollars available to buy their goods. I hope that your group will not only educate the public with reference to the need of foreign trade but will also help to educate interested business men to make a more effective presentation before the Congress.

A word about Swiss watches. You have heard lamentations about the President's decision. It has been called a step in the wrong direction and has been characterized as a set-back — a calamity on the road to freer trade. I do not feel that way about it at all. We have on our books today a law. It is the Law of the Land. It says, "The Tariff Commission shall recommend modifications of Tariff if increased imports cause or threaten serious injury to the domestic industry producing like or directly competitive products." This is the so-called escape clause. Now the President is supposed to obey the law like anyone else. Eight times the Tariff Commission, under this law, has sent to President Eisenhower suggestions for possible raises in the Tariff. Six more are pending. He turned down requests for tariff hikes on lead, zinc, fish filets, scissors, shears, pipes and other minor items. The high tariff boys were beginning to say: "What is the use of writing a law? The President will not carry it out." They said, "In every case he will find some excuse as to why he should not carry out the suggestions of the Tariff Commission."

Here was a case where the Tariff Commission recommended an increase by a four to two vote. To turn their recommendations down and all recommendations for tariff increases in contravention to the intent of the law, would be just playing into the hands of those who favor higher tariffs.

There was not any great important matter of foreign policy in this decision. Though the Swiss naturally do not like it they will still be selling watches in this country.

President's Decision Helpful

I think that the President's decision will in the end help, rather than hinder our long-term objective of freer trade.

I have noted the letter which your organization wrote to President Eisenhower after he had announced, on May 5, that he would not press for passage of his Trade

Continued on page 35

*An address by Congressman Kean before the Committee on Foreign Trade Education, Schwartz's Restaurant, Sept. 8, 1954.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Achievement in Steel—16-mm color firm telling the story of steel available to organized groups—"Achievement," National Steel Corporation, Pittsburgh, Pa.

Bond Market—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Earnings Performances of Japanese Stocks—In current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-Ku, Tokyo, Japan.

Industrial Opportunity in Canada — Comprehensive 32 book setting forth information in three parts: economic background of Canada; business organization, formation of companies, Company Acts and the like; taxation of income—Department FC, Head Office, Imperial Bank of Canada, Toronto, Ont., Canada.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japan's Foreign Trade—Discussion in "Monthly Stock Digest" —Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan and 61 Broadway, New York 6, N. Y.

"Light Blue Chips"—Bulletin—Bankers Bond Company, Inc., Kentucky Home Life Building, Louisville 2, Ky.

Machine Tools—Discussion in "Monthly Investment Letter"—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. In the same issue are discussions of **Automation** and **Department Stores Stocks** as well as a general analysis of the market. Also available is a bulletin on **Atlas Corp.**

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

* * *

American Automobile Insurance Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Babcock & Wilcox—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available in the same bulletin are data on **Chrysler Corp.** and **Western Pacific Railroad.**

Cavendish Uranium Mines Corp. — Report — James Anthony Securities Corp., 37 Wall Street, New York 5, N. Y.

Chattanooga Gas Company — Bulletin — Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Chattanooga Gas Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Hamilton Manufacturing Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. In the same issue is an analysis of **American Hospital Supply Corporation.**

Iowa Power & Light—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a bulletin on **Eagle-Picher Company.**

Lambert Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Mineral & Chemical Corporation of America — Bulletin — Troster Singer & Co., 74 Trinity Place, New York 6. N. Y.

Montana-Dakota Utilities—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Morgan Engineering Company — Card Memorandum — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

J. P. Morgan & Co., Inc.—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

National Supply Company—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. Also available is a bulletin on **Tun-Sol** and **Sylvania Electric.**

North American Royalties, Inc.—Analysis—J. M. Dain & Company, 110 South Sixth Street, Minneapolis 2, Minn.

Pure Oil Company—Analysis—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Reaction Motors, Inc.—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Riverside Cement — Analysis — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Western Union Telegraph Co. — Study — Dreyfus & Co., 50 Broadway, New York 4, N. Y.

NSTA Notes

AD LIBBING

It is most gratifying to hear that our total for advertising in the National Security Traders Association Year-Book Convention number of the "Financial Chronicle" is over $25,000.

We still have time for additional ads before our deadline of Sept. 27, so let us really make our final drive a vigorous one.

HAROLD B. SMITH, Chairman
Advertising Committee
National Security Traders Association
c/o Pershing & Co.,
120 Broadway,
New York 5, N. Y.


Harold B. Smith

ACTIVITIES AT NSTA CONVENTION

The National Security Traders Association is requesting all those attending the convention to advise in what activities they are interested in order that they may participate while at the convention.

Activities scheduled for men are golf tournament, tennis tournament, fishing, motor boat sightseeing, and races at the Atlantic City Race Course. Planned for the ladies are pitch and putt golf, canasta, bridge, motor boat sightseeing and the races.

For further details those planning to attend may consult Mrs. Polly Freear, Chairman, Ladies' Activities, c/o William N. Edward & Co., Fort Worth, Texas; Mr. Charles L. Wallingford, Chairman, Golf Tournament, c/o H. M. Byllesby & Co., Inc., Philadelphia, Pa.; Mr. Leslie B. Swan, Chairman, Tennis Tournament, c/o Chas. W. Scranton & Co., New Haven, Conn.; or Mr. Wallace H. Runyan, Chairman, Fishing Activities, c/o Hemphill, Noyes & Co., Philadelphia, Pa.

In connection with the Post-Convention series of entertainment being undertaken by the Security Traders Association of New York it is absolutely essential that the association know the plans insofar as travel space from Atlantic City to New York is concerned, and also whether or not your hotel accommodations at the Hotel Statler in New York will be required. The information should be sent to John N. Hudson, Secretary of the NSTA, c/o Thayer, Baker & Co., Philadelphia, Pa.

FLORIDA SECURITY DEALERS ASSOCIATION

The Florida Security Dealers Association will hold their annual convention and election of officers Nov. 4-6.

Additional Registrations NSTA Convention, Atlantic City, N. J. Including 9/7/54

Name	Firm	City
Adams, Edward R.	*Clement A. Evans & Co.*	Atlanta
*Arnold, Henry J.	*Geo. Eustis & Co.*	Cincinnati
*Barysh, Murray L.	*Ernst & Co.*	New York
Bayne, John M.	*Rotan, Mosle & Cooper*	Houston
Caplan, Albert J.	*Albert J. Caplan & Co.*	Philadelphia
Carroll, Howard P.	*Carroll, Kirchner & Jaquith*	Denver
*Caughlin, Edward J.	*Edward J. Caughlin & Co.*	Philadelphia
*Christian, Jack	*Janney & Co.*	Philadelphia
Davis, G. Powell	*Willis, Kenny & Ayres, Inc.*	Richmond
*Deppe, Ralph C.	*Edward D. Jones & Co.*	St. Louis
*Feldman, Grant A.	*Piper, Jaffray & Hopwood*	Minneapolis
*Feltman, Irving L.	*Mitchell & Co.*	New York
Fuerbacher, John N.	*Walter, Woody & Heimerdinger*	Cincinnati
*Goodman, Richard H.	*Shields & Company*	New York
Haggerty, John P.	*Carroll, Kirchner & Jaquith*	Denver
*Hammell, Elmer W.	*Taylor & Co.*	Chicago
Hastings, H. Russell	*S. R. Livingstone Crouse & Co.*	Detroit
*Heimerdinger, John G.	*Walter, Woody & Heimerdinger*	Cincinnati
Heward, Richard W.	*Janney & Co.*	Philadelphia
Hunter, Wellington	*Wellington Hunter Associates*	Jersey City
Kavanewsky, John F.	*Goldman, Sachs & Co.*	New York
Kelly, Joseph M.	*Starkweather & Co.*	New York
Kenny, George P.	*Willis, Kenny & Ayres, Inc.*	Richmond
Kipp, John	*A. G. Becker & Co.*	Chicago
Leppel, Bertrand	*Charles A. Parcells & Co.*	Detroit
*Longwell, Elmer G.	*Boettcher & Company*	Denver
McFarland, James B.	*Hecker & Co.*	Philadelphia
Mason, Miss Anne E.	*c/o Scott, Horner & Mason*	Lynchburg
*McCook, Robert	*Hecker & Co.*	Philadelphia
McCusker, Miss Helen M.	*Chas. A. Taggart & Co.*	Philadelphia
*McManus, Joseph	*Joseph McManus & Co.*	New York
*Mullins, Thomas J.	*White, Weld & Co.*	New York
*Murray, Frank J.	*Laird, Bissell & Meeds*	New Haven
Nelson, II, William	*Clark, Landstreet & Kirkpatrick*	Nashville
Newman, Mrs. Mary A.	*c/o American Securities Corp.*	Boston
*Parker, H. Sheldon	*Kay, Richards & Co.*	Pittsburgh
*Rohde, Jack	*John R. Lewis, Inc.*	Seattle
Sacco, Arthur C.	*Cruttenden & Co.*	Chicago
*Shropshire, Ogden	*Shropshire & Co.*	Mobile
Sinclair, Edward	*Weeden & Co.*	New York
*Vallely, Edward W.	*John Nuveen & Co.*	Chicago
Wielar, Jack B.	*Starkweather & Co.*	New York

*Mr. and Mrs.

COMING EVENTS

In Investment Field

Sept. 9, 1954 (Chicago, Ill.)
Municipal Bond Club of Chicago breakfast 8:30 to 11 a.m. at Welty's Restaurant.

Sept. 10, 1954 (Chicago, Ill.)
Municipal Bond Club of Chicago annual outing at Knollwood Country Club, Lake Forest, Ill.

Sept. 10-13, 1954 (Montreal, Canada)
American Statistical Association (Business & Economic Section) convention.

Sept. 16, 1954 (Cedar Rapids, Iowa)
Iowa Investment Bankers Association field day at the Cedar Rapids Country Club.

Sept. 17, 1954 (Philadelphia, Pa.)
Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 20, 1954 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia first dinner meeting in the Regency Room of the Barclay Hotel.

Sept. 22-25, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Sept. 23, 1954 (Omaha, Neb.)
Nebraska Investment Bankers Association of Omaha and Lincoln bond party at the Omaha Country Club (preceded by a cocktail party for out-of-town guests Wednesday evening, Sept. 22).

Sept. 26, 1954 (New York City)
Security Traders Association of New York host to the National Security Traders Association at a dinner dance at the Hotel Waldorf-Astoria.

Sept. 27-30, 1954 (New York City)
National Association of Securities Administrators meeting at the Hotel Roosevelt.

Oct. 1, 1954 (Pittsburgh, Pa.)
Bond Club of Pittsburgh annual fall outing at the Allegheny Country Club, Sewickley, Pa.

C. B. Whitcomb With First Cleveland Corp.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Cecil B. Whitcomb has become associated


C. B. Whitcomb

with The First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange. Mr. Whitcomb has recently been with Morrow & Co. Prior to serving in the armed forces he was Executive Secretary of the Cleveland Stock Exchange.

Banking and the Securities Market

By A. HALSEY COOK*

Vice-President, The National City Bank of New York

Mr. Cook explains the banking of the securities business, as it applies to brokers and dealers in borrowing with securities as collateral. Says there is no longer a call money market in New York City, and the volume of margin accounts carried by stock brokers has been drastically reduced, and it is now very rare for banks to call for more margin. Describes the Continuing Loan Agreement between bankers and brokers, and the use of unsecured Day Loans, as well as the mechanics of financing loans on government securities.

The topic which has been assigned to me said, "Banking and the Securities Markets." On banking alone, one writes books, so with permission of the Joint Committee I shall confine my remarks this morning to the banking of the securities industry. You have been in Wall Street for almost two weeks and I am sure that you have discovered that in the financial community there are Brokers and Dealers.

A dealer is not a broker. A dealer is engaged for his own account in the distribution of securities. He buys and sells as a principal on a net basis for his own account. The securities that a dealer offers for sale are his own securities and when he bids for securities he proposes to own them, temporarily at least. The dealer may be operating in what is known as the original market, which essentially is the distribution of newly issued securities, or in the secondary market, which is the redistribution of securities previously issued.

On the other hand, a broker is an agent and he charges a commission for his services. A broker customarily uses the medium of an established exchange whereas the dealer generally uses the over-the-counter market.

Perhaps it is an over-simplification to say that the banking of the securities industry divides itself very nicely into loans to brokers and loans to dealers. Essentially the difference is that a broker's loan is a loan secured by stocks and bonds belonging to the broker's customer to enable the broker to finance margin accounts. A dealer loan, on the other hand, is a loan to a dealer on the dealer's own securities. To make this a little more confusing, most brokers act sometimes as dealers, and sometimes a dealer will act for a customer as a broker.

No Longer a Call Money Market

Now let me lay a ghost. There is no longer a call money market in New York City although you will find the term in your textbooks. In years past, call money was a medium for adjusting bank reserves, a secondary reserve of commercial banks. Frankly, such a market just doesn't exist anymore, and I do not think we need to go deeply into the reasons for it other than to say that with the increased margin requirements and the virtual disappearance of the margin speculator, the volume of margin accounts has been reduced substantially. Brokers loans in 1929 ran to some $9 billion. For the past 20 years they have barely crossed the $1 billion mark. At the present time the brokers' loans in the Street constitute a relatively small percentage of the banks' total loans and provide a comparatively small outlet for loans to the banks' own customers. Perhaps the most significant indication of the disappearance of the call money market in New York City was the discontinuance of the Call Money Desk on the New York Stock Exchange some eight or 10 years ago.

Brokers are governed by Regulation "T" of the Board of Governors of the Federal Reserve System, and banks are governed by Regulation "U" restricting their lending in substantially similar respects. However, if a broker lodges an agreement with his bank that the securities he is pledging as collateral belong not to him but to his customers, and further, that his firm abides by the provisions of Regulation "T", his bank, generally speaking, is then exempted from the provisions of Regulation "U" in lending him.

The reason that a broker finds it necessary to borrow money is that he has lent his customers money to buy securities. He receives from his customers permission to rehypothecate those securities, and in due course pledges them to a bank for a loan in substantially the same amount that he has loaned to his customers.

New Collateral Loan Requirements

Contrary to the custom of the old call money market, banks generally require that brokers be customers of theirs and maintain checking accounts with them. Secondly, they require as collateral against these loans a diversified list of securities; it is not customary to pledge large single blocks of securities. Thirdly, banks require a margin of about 33% at the making of the loan although minimum margin requirements are about 25%. If we start out at 33% it gives a little room for the market to drop before a call for additional margin becomes necessary.

Right here I want to say something about margin. To any loan clerk, margin is the value of the securities in excess of the amount of the loan. Now this may not be what Mr. Webster may say it is, or what Federal Reserve Banks mean in their regulations, but it is a loan clerk's working conception. In other words, if we make a loan of $100,000, the broker pledges $133,000 in securities and is required to maintain the value of the securities pledged against this loan at $125,000 or better. The broker finds no difficulty in doing this because his initial requirements to his customers have been well in excess of the banks' requirements for many years. By requirements of the Federal Reserve Board, Brokers' loans are demand loans; that is, a bank can demand payment or a broker may pay off the loan substantially, on no notice at all. I suppose that in the last 15 years some downtown banks have called a broker's loan just to make sure that the machinery for calling a loan still exists, but for most banks it is pretty hard to remember when last they called a loan. For all practical purposes, then, a broker's loan remains at the convenience of the broker.

The Continuing Loan Agreement

Brokers' loans are made under what is called a Continuing Loan Agreement by which successive loans may be made, not by signing a note, but by offering an envelope containing the securities and listing them on the outside, and signed by an authorized person in the brokerage firm. Under this agreement the broker has the right to substitute collateral freely, subject to the bank's approval. These loan agreements are all inclusive, and provide the bank with a lien on the collateral posted or pledged against that particular loan, or any other loan which the broker may have with the bank. With every broker, banks are also required to have an agreement that he will not comingle his own securities with those of his customers, and we in turn agree with him that we will not exert any cross lien on securities of his customers to protect a deficit that may exist in a loan secured by the broker's own securities.

It is generally taken for granted that most brokers' loans are secured by listed securities; true brokers' loans against unlisted securities generally do not arise these days because brokers in turn do not lend against them in the regular course of their business.

The Day Loan

I was about to tell you that all loans to brokers are secured, but there is one form of loan generally used throughout the Street that isn't. This is the Day Loan. A Day Loan is a loan that is made on an unsecured basis to a broker early in the morning, which will be repaid before 3 o'clock that afternoon. It is secured only by a lien or chattel mortgage on the securities which the broker picks up with the proceeds of the money he has borrowed, and specifically can be used for only two things: (1) to pay for securities for which he has already contracted, and (2) to pay for loans which are secured by stocks and bonds.

Supposing you have just sold your last year's Cadillac for $2,000 and you have bought a new Ford for $2,000. You meet a friend on the way to the Ford agency, which is the first one that you come to. You can't get your Ford until you have received the money for your Cadillac, so you say to him, "Will you lend me $2,000 to pick up the Ford and then we'll drive to the dealer where I'll get a check for the Cadillac and endorse it over to you." If he knows you well enough, he will do it, and that in essence is what a Day Loan is. The interesting thing about a Day Loan is that the charge for it is only 1% per annum. It was 1% back in the '20s when call money sometimes went to 20%, and it was 1% when banks in New York were lending money in the '30s at less than 1%. Practically speaking, it is a fee paid for a credit in lieu of what used to be called over-certification, rather than an interest charge.

The Dealer Loan

Let us turn now to the dealer loan, and I want to repeat that a dealer loan is made on collateral which belongs to the dealer. Its principal purposes are twofold: (1) to finance the distribution of securities, and (2) to carry an inventory or investment portfolio. The greater part of the loans to brokers and dealers that you see in the Federal Reserve statements every Thursday are loans to dealers. The season that I say this is that dealers are daily clearing large amounts of securities and financing distribution of securities either through the original or secondary market. In volume, dealer requirements far outweigh the demand for credit of brokers. I don't think any of us has ever figured it out, but my guess would be that of the billion dollars more or less that are borrowed in New York City by brokers and dealers on other than Treasury securities, the ratio is about 50 to 50—about $500 million in brokers' loans, perhaps, and $500 million in dealers' loans. Last year and for some years back, as a matter of fact, brokers' loans did not constitute even this modest proportion of the total. The liberalization of margin requirements early in 1953 gave rise to some increase in margin trading and resulted in a corresponding increase in loans to finance it. Moreover, at the present time dealer inventories are at their summer lows and their requirements are therefore light. I would venture to say, however, that over the last five years 60% to 65% of the Street loans of the New York City banks were dealer loans rather than loans to brokers.

A dealer loan is not a call loan, because implicit in the making of such a loan today is seeing the deal through. The collateral in a dealer loan instead of being diversified may very well be concentrated. It may all be one issue; it may be a series of issues, blocks of bonds or blocks of stocks; it may even be a series of loans. The collateral may be industrial bonds or debentures, municipals, utilities or rails; or it may be stocks, preferred or common. Credit requirements for lending to a dealer are the same as the credit requirements of any borrower. The old formula is the three C's—capital, character, and capacity. These same C's apply to a dealer for it is inherent that the collateral offered by a dealer may not be instantly marketable.

We generally have at least the annual financial statement of a dealer and frequently we have his profit and loss figures. We look at his capital, and in effect think of it as the margin on his inventory or the portfolio that he may be carrying or may be clearing.

We know, or we should know his reputation for business dealings and his experience in the Street, which, for our purposes, is character.

The capacity to repay in terms of the dealer loan is the dealer's distributive ability. A house with excellent distribution, thoroughly experienced, with a good reputation, can do a great deal of business on a lesser amount of capital and obtain readily the financing to do so.

Now, the margins that are required on dealer loans vary, and again I'm going to be a loan clerk. You start with the 25% margin that's required on the regular Street loans. Actually, we start with 33%, going down to 25%, which is to be maintained. If the securities which the dealer has in his loan are sold, and he requires financing to package them and deliver them to the buyers, we do not require too much in the way of margin. We may ask just 5% margin, and in some instances we have lent the purchase price, meaning no margin at all. These margins, of course, are applicable to high grade securities in the process of distribution, top credit municipals or short-term securities that are soon to be paid. The margin varies therefore between substantially zero on sold securities, to 25% or so on the general run of quality securities. Lending on other securities that have little market or that are not particularly well know may require a 50% margin, or more. In other words, you would lend the dealer only 66% of the market value or of the price he paid, his capital representing the balance of the purchase.

Now as to rates. Historically, call money rates are governed by the New York money market and the day-to-day money position of the New York banks. When banks lend money to commercial concerns the money is

Continued on page 21

*A lecture by Mr. Cook at the Fourth Annual Forum on Finance for Graduate Students and Instructors in American Colleges and Universities sponsored by the Joint Committee on Education representing The American Securities Business at Graduate School of Business Administration of New York University, New York City, Aug. 23, 1954.

West Virginia Turnpike's First Section Opened to Traffic

By EDWIN L. BECK

Official Dinner on Sept. 2 commemorated opening of 33-mile Beckley to Princeton Section. Superhighway cuts through the mountains from northwest to southeast, and transverses one of the most scenic routes in the United States. When completed, road will cover 88 miles in almost a straight line over a hilltop-to-hilltop route, and will constitute one of the valuable arteries of the nation.

I have just returned from the dedication ceremonies held on Sept. 2 at Beckley, W. Va., commemorating the opening of the

Okey L. Patteson William C. Marland

first unit—33 miles of the projected 88 miles—of the West Virginia turnpike. The celebration included a motor trip of the new superhighway and, in contrast, a trip over the old road. The new highway covers a mountainous region—one of the most scenic in the nation. It is expected that the highway will constitute a vital link between the Ohio Turnpike on the north, and similar projects under consideration in Virginia and North Carolina to the south.

All engineering and construction difficulties which are generally present in building a mountain road have been successfully met in the West Virginia Turnpike, General Manager of which is Okey L. Patteson, former Governor of West Virginia. According to the Engineer, C. H. Peterson, who has worked on the West Virginia Turnpike since its inception:

"The West Virginia Turnpike marks a forward step in the field of expressways and superhighways, primarily because although it was conceived as a four-lane divided highway, it is being constructed in a preliminary stage generally two lanes in width. It marks a dramatic step forward also, because it is being built to very high standards of line and grade through terrain that has been considered practically impossible to tame for modern turnpike construction. The Turnpike goes almost straight through the tough Southern West Virginia Mountains as no road has ever done. When it is finished, the trip from Charleston to Princeton that used to be a 109 mile journey, and take almost four hours will have been cut to 88 miles and an hour and a half. The curves will be gradual, the grades easy and the scenery unsurpassed. It will be a scenic route rivaling in beauty many that have been constructed exclusively for scenic purposes. But more important, it will be a functional traffic artery permitting the movement of heavy volumes of freight and passenger traffic through an area formerly considered impassable."

Economically, the route constitutes a saving of between two and two and a half hours in driving time for commercial vehicles and, quite naturally, the State expects to play host to large numbers of pleasure motorists who, heretofore, avoided this area because of the arduous and, oftentimes, hazardous driving conditions. The turnpike grades never exceed 5% and no curve will limit speed with safety to less than 60 miles per hour.

The new West Virginia Turnpike is equipped with the most modern communication facilities in the world. It is the nation's first turnpike to utilize "super high frequency" microwaves known to provide dependable high quality communications and greatest efficiency and safety in traffic control. Moreover, the road has mile markers, which aid the motorist in judging the speed and distance of the journey throughout its length.

At the dedication dinner for the first unit of the Highway Gov. William C. Marland, of West Virginia, turnpike officials and other speakers hailed the superhighway as an engineering achievement that would aid the state's economy. "This turnpike," the Governor said, "will contribute much to a north-south expressway system, both as a working reality and as a stimulus to participation by neighboring states."

When completed, the turnpike will average $1,500,000 a mile in cost. It will have 76 bridges, including three major spans, a mountain tunnel and six interchanges. Starting at an elevation of 600 feet at the Charleston Interchange, it climbs an average of 43 feet a mile to 3,400 feet at Flat Top Mountain, then descends to 2,100 feet at the Princeton terminus.

Tolls will range from two cents a mile for passenger cars to seven and a half cents for buses and semi-tractor-trailer trucks. To travel the entire 88-mile route, motorists will pay $1.65.

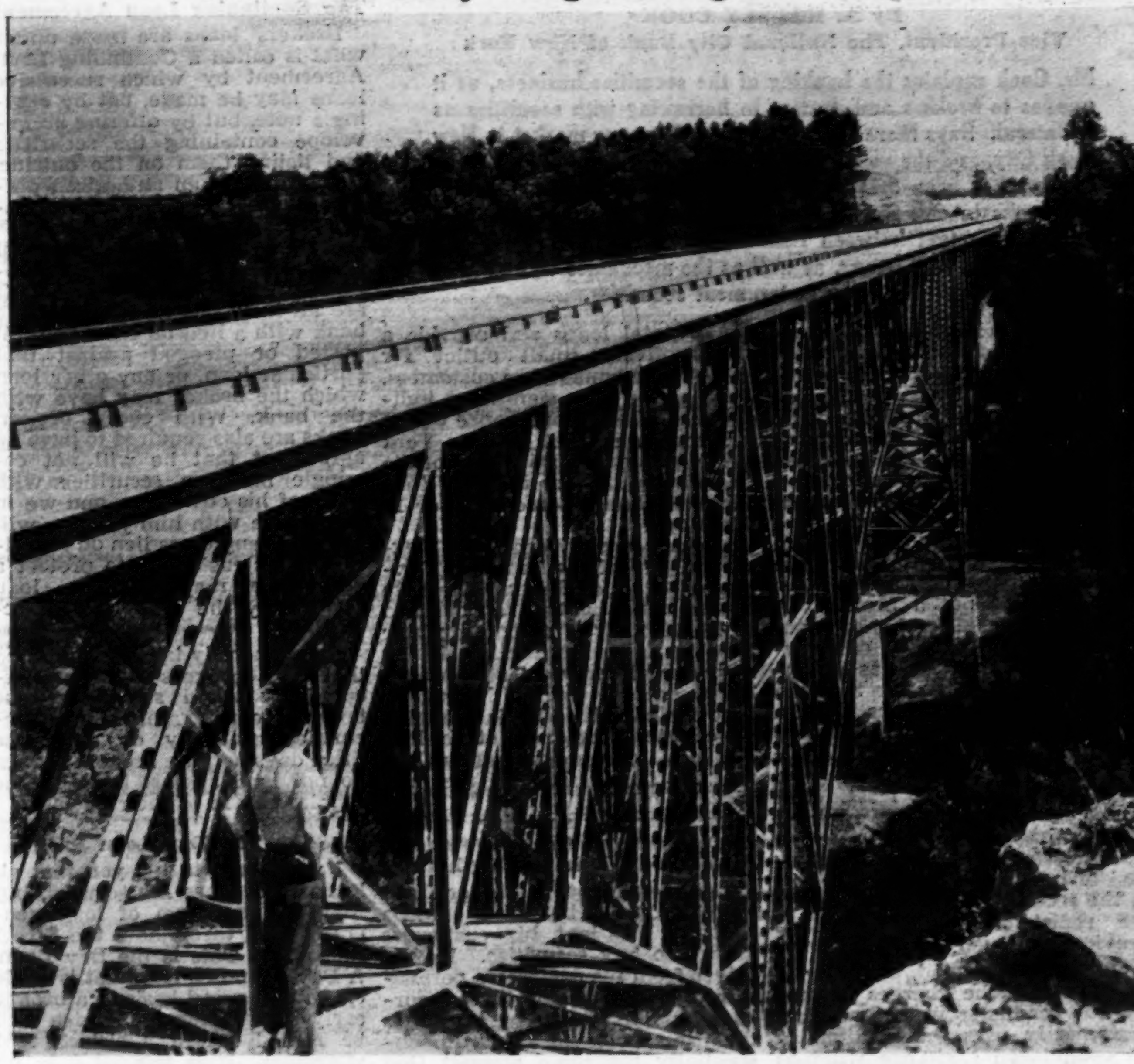
Unlike most turnpikes, the West Virginia highway is divided only at interchanges and service areas. In construction, however, engineers provided for complete division of lanes when the need arose. The concrete road now is 24 feet wide, and on each side is a 9-foot asphalt strip. Through the use of a rubber material the bumps from the joining of the asphalt strips is entirely eliminated.

Representatives of the investment banking houses which provided the financing for the West Virginia Turnpike attended the opening ceremonies. They included Howard Finney and L. Eugene Marks of Bear, Stearns & Co. and Roger S. Phelps, Edmund C. Byrne and Edward F. Wrightsman of Byrne and Phelps, Inc. A feature of the opening was the presence of many out-of-state newspaper and magazine writers including representatives from New York, Philadelphia, Pittsburgh, Columbus, Louisville and other cities. Broderick and Coleman, public relations and advertising consultants of New York City handled the publicity arrangements including the distribution of a special kit made up in the colors of the State of West Virginia.

In concluding this story, I can best repeat what I said in a previous issue of "The Chronicle":

"To the vacationing motorist a rare treat is in store as students of our national highways have already called the Turnpike the most beautiful of all. Its contribution to the State's long recognized attractions as a mecca for tourists is outstanding."

One of the Many Bridges Along the Turnpike



Crossing the Bluestone River, the 1,334 foot Sgt. Cornelius Charlton Bridge was named for a native Congressional Medal of Honor Winner and was officially dedicated on Sept. 2.

Milwaukee Co. Acquires Gillespie & Wouters

Joseph T. Johnson

Lee W. Gillespie

Russell F. Wouters

MILWAUKEE, Wis.—It is announced by Joseph T. Johnson, President of The Milwaukee Company, Milwaukee investment house, that arrangements have been completed for the acquisition of Gillespie & Wouters, investment securities, Green Bay, Wis., one of northeastern Wisconsin's oldest investment firms.

The Milwaukee Company is one of the largest and oldest investment companies in the Middle West. In 1941, it merged with Edgar, Ricker & Co., Milwaukee's oldest investment house, organized in 1904, and in 1946 took over the business of Morris F. Fox & Co., founded in 1914. The firm is located in the historic Mitchell Building at 207 East Michigan St., corner North Water.

The Milwaukee Company is a member of the Midwest Stock Exchange, and through its subsidiary, Edgar, Ricker & Co., nationally distributes Wisconsin Investment Company, a mutual fund.

Lee W. Gillespie and Russell F. Wouters have been associated since 1929. The firm has been part of the underwriting groups formed for some major Wisconsin financing. It has specialized in Wisconsin and local paper mill, industrial and public utility financing. Gillespie & Wouters have been active in the underwriting and distribution of municipal issues in Wisconsin and has been part of underwriting groups in larger municipal issues.

It is anticipated that the acquisition will occur on Oct. 1, 1954. Messrs. Gillespie and Wouters will remain as local managers of the Green Bay office of The Milwaukee Company and will become officers of The Milwaukee Company.

Davis-McInnes, Inc. Is Formed in Pittsburgh

PITTSBURGH, Pa. — Winthrop N. Davis and Raymond McInnes have formed Davis-McInnes, Incorporated with offices in the First National Bank Building to engage in a securities business.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Clarence J. Richardson has become associated with Reynolds & Co., 425 Montgomery Street. Mr. Richardson was formerly with Schwabacher & Co. and Walston, Hoffman & Co.

Hornblower & Weeks to Admit 5 New Partners

Hornblower & Weeks, 40 Wall Street, New York City, investment bankers and members of the New York Stock Exchange, announces that five new general partners will be admitted to the firm efective Oct. 1. They are H. Raymond Powell, James F. Gilbert, Louis J. Dupre, and Eugene M. Matalene in the firm's New York office, and Stanley M. Eilers in the Cleveland office.

Messrs. Powell and Gilbert came to Hornblower & Weeks in 1942 when several partners and the staff of G. M. P. Murphy & Co. became associated with the firm. Mr. Powell is a member of the Hornblower & Weeks underwriting department and Mr. Gilbert is manager of the municipal department.

Mr. Dupre, who joined the staff of the firm as a Stock Exchange floor clerk in 1927, became a member of the New York Stock Exchange in May of this year. Mr. Matalene, with the firm since 1939, is a member of the buying department.

Mr. Eilers, who will continue with the firm's Cleveland office, started as a clerk in 1926, later becoming a registered representative. He is well known in Cleveland business and financial circles.

With Auchincloss, Parker

PHILADELPHIA, Pa.—Auchincloss, Parker & Redpath, Land Title Building, members of leading stock and commodity exchanges, announce that Edwin J. Sobey, III, is now associated with them as a registered representative. Mr. Sobey was formerly associated with Oakes & Co. in their Philadelphia office.

What's Ahead for Business in 1955

By ARNO H. JOHNSON*
Vice-President and Director of Research
J. Walter Thompson Company, New York

Maintaining the "magic of consumption" offers an opportunity for utilizing our increased productive ability, Mr. Johnson contends an increase of only 1½% in consumer buying is needed to offset the cuts in defense spending. Says a 10% increase in consumer buying is possible in 1955. Holds total discretionary spending power of the public has increased five fold since 1940, and increased marketing opportunities now exist due to shift of many families to better income groups.

There are internal growth pressures in our dynamic and changing American economy that point to an immediate opportunity for substantial improvements in our living standards—improvements that can mean expanding markets for consumer and industrial goods and services.

Arno H. Johnson

Let's look first at the probabilities for growth in our total level of consumption and standard of living since this will largely determine the future of business.

We do not need to have any sustained downswing in our economy just because defense needs are less or because inflation pressures have abated—these are favorable rather than unfavorable factors and can lead to new levels of prosperity. But the attainment of new levels of prosperity will depend largely on our recognition that expanding consumption through mass movements to better living standards is the key to keeping our production and employment high—and is the key also to a strong defense and a balanced budget.

This is a challenge to marketing, because the change from a production economy, heavily influenced by government, to a consumption economy of individual enterprise places the burden on selling, on finding needs and creating desires and on improving products or developing new products to meet these needs and potential desires.

We have exprienced the miracle of production—now, through the magic of consumption, we have the opportunity to keep our economy dynamic and growing. The magic of consumption offers an opportunity for utilizing our increased productive ability in the positive form of a better standard of living.

Only a 1½% Increase in Consumer Buying in 1954-55 Is Needed to Offset Defense Cuts

Much of the pessimism for 1954-55 is predicated on expected cutbacks in Federal cash expenditures for defense. It is not generally realized that it would take an increase of only 1½% in the consumer standard of living to offset this decline in 1954-55. Federal cash outlays for the calendar year 1953 were $76.5 billion and for 1954 are expected to be about $73.0 billion—a drop of $3.5 billion. Consumer purchases, from the 1953 level of $230 billion, would need to increase only 1½% to offset this much of a drop. Just a 5% increase in living standards could offset more than a $10 billion cut in defense expenditures — a far deeper cut than is now contemplated.

In building, therefore, for continued and increasing prosperity in 1954-55 the nation faces a major task right now—that of selling a higher standard of living to our American population so that we can offset decreased government purchases with increased consumer purchases.

A 10% Increase Possible in 1955 and a Third Higher Standard of Living by 1960

Instead of the widely predicted depression my analysis of our present productive ability and consumer purchasing power points to just the opposite—to an immediate opportunity for a 10% increase in sales of consumer goods and services and thus in our standard of living within the next 1½ years. And this 10% increase by the end of 1955 in consumer demand for goods and services could have a truly magical effect on government finances and lowered tax rates; on our ability to provide a strong defense; and on industrial markets through stimulating needs for further improvement in productive facilities.

An increase, for example, of only 10% in total consumer purchases of goods and services from the level of $230 billion in 1953 would so broaden the various bases for taxes that we could balance the Federal budget and even provide a surplus at lower tax rates—and still have about $50 billion annually for a continued strong defense.

Beyond the immediate opportunity for a 10% increase in 1955, we have the broader real opportunity for a third higher standard of living by 1960.

In terms of constant 1953 dollars, our per capita productivity increased from $1,560 in 1940 to $2,380 in 1944 (Real Gross National Product divided by population). A similar per capita productivity for our 179 million population in 1960 could mean a Gross National Product of $425 billion by 1960 in terms of 1953 dollars, and could provide the purchasing power for a standard of living approximately one-third higher than the peak level of 1953.

The level of productivity necessary to provide for a continued strong defense and an increase of one third in the standard of living by 1960 should be considered a minimum opportunity because it would require only reaching the production level actually reached per capita in 1944 when our tools of production were far less adequate. An increase of only 2% per year in production over the levels reached in 1953 will mean a production of over $425 billion annually by 1960.

Can We Consume One-Third More by 1960?

Purchasing power is created by production. Our increased productivity already has made possible an advance of 62% since 1940 in our total real standard of living—even after adjustment for inflation, higher taxes, and heavy defense needs, and in spite of many crippling restrictions on production and incentive. Further utilization of our productive ability per capita can continue to add to our real purchasing power. If we utilize our productive ability only up to the point proved possible in 1944 we can have the purchasing power to give our people a standard of living one-third higher than at present by 1960, and still maintain a strong defense.

The purchasing power will be available for this kind of an increase in consumer purchases, and our productive ability has been proved. Aggressive selling and advertising is needed to bring consumption up to productive ability.

Increased Marketing Opportunities Exist Because of the Shift of Millions of Families to Better Income Groups

Early in 1954 there were six times as many families (consumer spending units) with incomes over $3,000 as there were in 1941. Nearly 29 million families have moved up above $3,000. The 34.7 million with incomes over $3,000 represented 63% of the 55 million total whereas in 1941 the 5.7 million represented only 14½% of the 39.3 million total.

As these families move up from one income class to the next they could represent substantially increased markets for most items in the standard of living if they were to take on the habits and desires of the income group into which they move. This is true even though taxes and the cost of living have increased.

In the first quarter of 1954, for example, total real purchasing power after adjustment for present prices and taxes was 86% greater than in prewar 1939. Disposable income, after taxes, in the first quarter of 1954 at $252.3 billion was $4½ billion higher than the $247.8 billion in the first quarter of 1953 — and total consumer purchases at the annual rate of $230.5 billion were $1.9 billion higher than in the first quarter of 1953, and personal savings at $21.8 billion were $2.6 billion higher than in the same period of 1953. Real purchasing power has continued to increase. In April 1954 the index of wages and salaries was 4% above the same month of 1953 while consumer prices were only 1% higher.

Increase in Purchasing Power Exemplified by Jump in Discretionary Income of Middle Group

Prewar our economy was typified by the $25 a week family—average weekly earnings for production workers in manufacturing in 1940 were $25.20. The "middle income" family, for example, fell in the $1,000 to $1,500 income group. Now the "middle income" family is in the $3,000 to $5,000 income group. Weekly earnings in manufacturing by January, 1954, had grown to $70.92 or nearly three times the 1940 level. After taking into account both increased taxes and present costs of maintaining an equivalent 1940 standard of living in the necessities of food, clothing, and shelter, the middle income family now has discretionary spending power nearly 4½ times as great as the prewar middle income family.

Total discretionary spending power which reached a level of $136 billion by January, 1954, was over five times as great as the $26.5 billion in 1940. That is the surplus spending power over and above what would be required to supply a per capita standard of living for the basic necessities of food, clothing, and shelter equivalent to the 1940 actual standard of living after taking into account present prices. This could reach $160 billion in 1955 or six times the prewar level.

These factors indicate that a relatively small increase in consumer purchases would more than offset any threatened cut in government expenditures, and that the level of purchasing power is high enough to warrant more aggressive marketing. In particular, the higher proportion of income in the form of discretionary spending power offers any product or class of products the opportunity for a competitive advantage in aggressive promotion. People have the money now to select and choose between items beyond bare necessities.

Over Half of Present Income After Taxes Is Discretionary Spending Power

An important shift has taken place in the character of average family purchasing power. A much larger proportion now is in the discretionary classification where decisions can be made without conflicting with basic or essential needs.

In 1940, when our total disposable personal income after taxes was $75.7 billion, our population used $49.2 billion of this for basic living costs, the necessities of food, clothing, and shelter — the remaining $26.5 billion or 35% was available for all other items making up the 1940 standard of living or savings. $3.7 billion represented personal savings in 1940.

To maintain the same 1940 standard of living per capita for food, clothing, and shelter in 1954 would require $114.0 billion instead of $49.2 billion because of the inflated prices of these necessities and because of the increased population to feed, clothe, and shelter. This $114.0 billion would, however, provide for the same consumption in physical units per person and of the same quality as in 1940.

But disposable personal income in 1954 is at the annual rate of $252.0 billion, so the consuming public has $138.0 billion of discretionary buying power over and above the $114.0 billion that would be needed to provide the necessities for a 1940 standard of living. This means that 55% of disposable income is now in the discretionary classification. This discretionary buying power (over five times as great as in 1940) is providing for increased savings (up to $20.0 billion), additional items not enjoyed before, or improvement in the basic standard of living in the form of more or better quality items of food, clothing, or shelter.

In the exercise of this new discretion in choosing how to use this great new pool of income, available over and above what would be required for a 1940 basic living standard, consumers are putting aside for savings the same percentage of discretionary income as prewar. Savings of $3.7 billion in 1940 represented 14% of their $26.5 billion of discretionary spending power over basic living costs. In 1954 savings of $20.0 billion still represents 14% of the greatly expanded discretionary spending power of $138.0 billion.

*From an address by Mr. Johnson before the School of Consumer Banking at the University of Virginia, Charlottesville, Va., Aug. 17, 1954.

Strauss, Ginberg Co. Formed in New York

The formation of the firm of Strauss, Ginberg & Co., Inc. was announced by Frank Ginberg and Abraham Strauss, with offices at 115 Broadway, New York City.

Frank Ginberg Abraham Strauss

The principals of the new firm were associated together for many years in the firm of Strauss Bros., and are widely known in the securities business throughout the country, in which each of them has been actively engaged for over 25 years.

Abraham Strauss started in the securities business with Logan & Bryan in 1922, remaining with that firm until 1933, at which time with his brother Robert Strauss they formed the firm of Strauss Bros. Frank Ginberg joined the firm in 1936, and the three were continuously associated in business until 1948, when Frank Ginberg formed his own firm of Frank Ginberg & Co. More recently Abraham Strauss has been associated with Hill Thompson & Co., and Frank Ginberg with Morris Cohon & Co.

The re-association of the two former partners of Strauss Bros. represents a combination that had achieved a national reputation for the breadth of its trading market service to dealers, and the scope of its research activities into securities and special situations. As previously, Abraham Strauss will be in charge of the trading activities of the new firm, while Frank Ginberg will intensify his research into securities and undervalued situations for the benefit of dealers.

The firm will also serve individual investors, and expects to add a retail department to supplement its trading activities. It will also be interested in underwritings, and in special financial services to companies in connection with mergers, sales, recapitalizations and reorganizations, and general financial matters.

Railroad Securities

Denver & Rio Grande Western

Even before the market generally developed reactionary tendencies, the common stock of Denver & Rio Grande Western had been under considerable pressure and had backed away quite sharply from the year's high. There were two considerations, neither of which may be considered as permanent drags on the stock, that have probably contributed to this discouraging market action. For one thing, there were apparently some traders and speculators who had been expecting an increase in the $5.00 annual dividend rate at the August meeting of the Board of Directors. While these hopes were not fulfilled, many analysts close to the situation are still confident that liberalization of dividend policies will not be long delayed. Such an opinion is amply justified by the recent and prospective earning status of the road.

A second depressing influence on the stock was the unexpected call for redemption of 100,000 shares of 5% convertible preferred, out of 194,000 shares outstanding as of the time of the original announcement. This preferred is convertible into common at the rate of one and a half shares of common for each preferred share. As the common is even now selling well above the conversion parity it may be taken for granted that virtually all of the called stock will be converted prior to expiration of its option on Sept. 15, 1954. This prospective conversion is not serious as a potential dilution of common share earnings. Rather, pressure on the common stems from the fact that many institutional holders of the preferred may not legally hold the common stock and must, therefore, either liquidate their called preferred or convert into common and immediately sell the common stock they receive. Pressure from this source will cease to be a factor shortly. Many analysts feel that this period of forced liquidation presents an excellent buying opportunity, particularly since even without the expected increase in the dividend payout the stock affords a return of close to 7%.

From an operational standpoint, and earningswise, Denver & Rio Grande Western has continued to turn in an exceptionally favorable performance during the year to date. Revenues have been off sharply, reflecting a combination of the general business decline and the fact that Korean traffic had still been important during the first part of 1953. Gross for the seven months through July 1954 was off nearly 18%, a wider decline than that indicated for the industry as a whole. Nevertheless, while the Class I carriers sustained an estimated decline of roughly 50% in net income, Denver & Rio Grande Western recorded a modest gain—from $5,163,967 a year ago to $5,391,765 in the current interim. The increase in earnings was equivalent to about $0.40 a share of common stock outstanding as of the end of last year.

This highly favorable earnings showing in the face of adverse traffic developments was in part due to substantially lower tax accruals which in turn was apparently in large part due to the writing off of property abandoned. Also, as the roadway property improvement program had been virtually completed it was possible to cut maintenance of way expenditures drastically. Most impressive, however, has been the ability of the management to control the all-important transportation costs. Freight train miles were cutback nearly as rapidly as the decline in traffic and yard operations were curtailed even more sharply. As a result, the transportation ratio for the seven months this year was held to 30.3%, or very little higher than the 29.4% of a year earlier.

The rate of traffic decline has moderated somewhat and should continue to improve relative to a year ago from here on. On the other hand, tax comparisons will probably not be so favorable in the last half as in the first half. On balance, an estimate of at least $12.00 a share on the increased amount of common to be outstanding after conversion of the called preferred stock appears reasonable for the current year. As the company's capital needs for property improvements and new equipment are now modest, such earnings would appear to support the widespread hopes of more liberal dividend treatment.

Continued from page 3

Selected Railroad Mergers Solution to Industry's Plight

selves in a deplorable physical condition after war-time control by the government. It must be remembered, however, that at that time they still enjoyed a virtual monopoly in the transportation field. So when an upsurge in business activity came along, bringing with it peak traffic, the railroads were able to rehabilitate their run-down plant and facilities and handle all the tonnage the economy could provide. But even then the average net return paid stockholders never quite reached 6%.

Then came the great depression of the thirties and again the railroads, like most other businesses, hit rocky times. Many went under, accepting bankruptcy. Others survived this fate by the narrowest of margins. Few made any money for their owners and all suffered from lack of repairs and replacements.

And once again it was a tremendous boom in traffic that brought them back — this time generated by defense preparations and later by war itself. The miracle was that the run-down, beaten up railroads could rise to the tremendous demands of the times and carry the vast volume of traffic the war emergency required. But carry it they did, to the everlasting glory of the industry. The toll, however, was evident in every neglected mile of track, in every patched-up locomotive.

The result was that, with the end of World War II, the railroads again found themselves in desperate physical plight. Traffic remained in high volume, however, even though it declined somewhat from wartime peaks. But other forms of transportation had been coming of age and were taking an increasingly large slice of the business. The railroads' share of the nation's traffic finally dwindled to little more than 50%. Operating costs skyrocketed to unprecedented heights. And the carriers found themselves faced with the staggering two-fold problem of rehabilitating their worn-out plant and equipment and at the same time finding ways and means for substantially boosting their efficiency and economy of operation.

Technical Advances

Tremendous advances were effected in all departments and phases of railroading to meet this situation. The most significant development—and the most revolutionary change in the industry's history — was the creation and adoption on an almost industry-wide scale of the diesel-electric locomotive. It has been said that the diesel, by virtue of its inherent economy of operation, saved the railroad industry. I will not quibble with that claim.

But, despite this revolutionary change in motive power, despite the countless other improvements in facilities and methods, is the basic condition of the railroad industry today much better? A study of income reports makes one wonder. Although net income for all Class I lines last year reached the third highest point since 1921—being topped only by two war years—the average dividend payment on capital stock outstanding amounted to only 4.8%. And last year marked only the fourth time since 1931 that this average reached as high as 4%. The industry's tax bill, alone, in 1953 was three times greater than the amount paid stockholders in what was the best peacetime-year for the railroads in the last three decades.

Meantime, out of the industry's laboratories and research centers have streamed many new and promising improvements and developments in machines and equipment, tested, perfected and ready to bring their advantages to the never-ceasing quest for more economical operation. Railroad management has been more than merely receptive, it is vitally eager to make full use of these technological advances. For the most part, however, its hands are tied. Already saddled with some $10 billion of debt, the industry is virtually denied access to the new equity capital required to finance the acquisition and adoption of these great improvements on an effective, industry-wide scale.

The "Piggy-Back" Development

On still another front, however, real progress has been and is being gained in the never-ending battle to improve the railroads' position. Management is trying out radically new theories and tactics in an effort to boost traffic volume. Realistic reappraisals of rates are being made to meet competitive situations. An entirely new concept of co-operative transportation is emerging on the national scene under the sponsorship of the railroads in the hauling of highway trailers on railroad flat cars. The Katy Railroad is among those who are pioneering this new concept by offering such a service to common carrier motor truck operators.

To my mind, this marriage of conveyances should and will develop into a permanent marriage of convenience between the railroad and motor carrier industries to the substantial and lasting benefit of both. Like any other successful marriage, it must be attended by the highest degree of good faith and respect on both sides. Its very simplicity may have aroused some suspicion on the part of the truckers that the railroads are holding a hidden trick up their sleeve. Speaking for my railroad, and I think it could be said for other railroads offering similar service, I can assure them that there is nothing mysterious or concealing about it. I am convinced that such an operation, open and above board, is economically sound for both industries and will prove profitable to each.

In our piggy-back operation, we are thinking in terms of bringing some of the motor carrier trailers off the highways and onto the rails. Not all, mind you, but as many as it is reasonably practicable to expect in an all-out-venture between the motor common carrier industry and the railroads. Other lines are conducting piggy-back operations on different theories. I have no fault to find with their approach. I simply contend that there is a fertile area which can be developed by frank and sincere cooperation to the advantage of both the railroad and trucking industries. It is in this area we have chosen to launch our piggy-back service.

Still other new methods and machines are under close scrutiny or test by railroad management for the possibilities they offer of cutting costs and improving service. To mention but one which seems to have caught the public fancy there is a new light-weight, high-speed passenger train of radical design which recently made an experimental run under the eyes of the television cameras.

Certain of these developments hold real promise for such individual railroads as can and may well adopt them. But their total impact can hardly be such as would restore the entire industry to the financial stability it must have to meet the challenge ahead.

A Look at Atomic Energy on the Rails

Nor is the advent of atomic power in railroading likely to arrive soon enough to pull us up the steep grade of high operating costs on which we are struggling. I believe, as do many others, that atomic energy some day will power our trains. But we are unlikely to see this second great revolution in motive power in the immediate future. There are fundamental problems still awaiting solution, not only in the matter of reactor design and construction, but in the basic question of whether nuclear energy can prove itself more economical than our present fossil fuels for civilian industrial use.

Where, then, can railroad management turn for a solution to the formidable problem of cost which is so plaguing it? What, especially, is to be done about the weaker lines whose continued existence is so essential to a strong national transportation system? where can the additional economies be found which will enable them to handle their present traffic at a reasonable profit, and assure them the same reasonable profit on the greater volumes our expanding economy will provide?

The answer, I feel, might well be found right within the present structural basis of our railroad system itself. It is my considered opinion that the transition of our economy has now reached a point where railroad management and railroad security owners should and must give serious consideration to the benefits to be derived from the consolidation of properties.

Merging of Marginal Earnings Railroads

Much could be accomplished I am certain, toward restoring virility to the overall system through the merging of marginal earning properties with some of their larger and more profitable connections. Duplicating services thus could be eliminated to effect tremendous savings without endangering, one whit, the standards of service to the public. In fact, this service would be improved through the resultant streamlining of terminal and other operations.

To explore such an approach, I realize, calls for new and radical thinking on the part of railroad management and owners. But it could be highly rewarding. The trend toward consolidation currently is evident in many other industries, and we read about mergers and proposed mergers in automobiles, steels, textiles, banking, pipelines, paper and other lines. In some cases these consolidations were prompted by economic conditions and necessities paralleling those which face many of the railroads.

Let it be understood that I am not advocating an overall realignment of all of the nation's railroads, such as was proposed in the twenties by the Interstate Commerce Commission, but only the selective merging of certain strong and weak lines in specific areas where there are obvious advantages to all parties to such mergers and they would prove to be in the public interest.

The public interest, in the last analysis, must be the test. But it is the concept and interpretation of what the public demands that pose the question. There can be no doubt but that the public in its basic thinking regards the railroads as the indispensable tool and bulwark of the national economy. However, we note that the public's support of the industry is not always manifested in a sufficiently tangible fashion to keep it the indispensable tool and bulwark of the national economy.

Continued Public Patronage Essential

The railroads, therefore, need and must receive the unequivocal support of public patronage — more freight and passenger traffic —if they are to maintain their physical and financial vigor and fulfill their historic mission.

Such selective mergers could meet the public's growing demand for the packaged service which connotes the modern idea of a simple and all-inclusive performance—a packaged service in a packaged economy. The American businessmman and the American consumer today have been fully sold on **completeness** in the purchase of service. We no longer buy the house from one party, the financing from another and the insurance from a third. The complete, streamlined, economical deal is the thing. Why should not the purchaser of transportation be given a similar, all-inclusive package by the railroads? He should.

Consolidations such as I have in mind could lower the present barriers between the railroads and the improvements and modernizations they so earnestly desire but which they individually cannot now attain under existing conditions—such advances as roller-bearing freight cars, lighter, faster but less costly passenger equipment, and the many other developments which constantly are coming on the market.

Certainly all of these possibilities and advantages are worthy of attainment, and the expansion potential of the national economy justifies the most serious consideration of this approach to a solution.

We have it on no less an authority than Arthur F. Burns, chairman of President Eisenhower's Council of Economic Advisers, that our couutry has the capacity to raise annual physical production from its present level of about $360 billion to $440 billion, or even more, in the next five years.

The challenge such an expansion presents to the railroads cannot be exaggerated. Nor can it be ignored. To meet it, they must be strong, healthy and vigorous in all their parts.

Down through the years the American people have come to look upon their railroads as com-

prising sort of a sixth estate—something akin to the schools or the press as a definite, accepted and essential part if life. The epitome of free, private enterprise enlisted in the public service.

This has been because, over and above the physical service they have performed in moving the men and goods of the nation, they have, in a very close and personal sense, been the link which has bound all the people together all of the time, regardless of geographical or ideological distances or differences.

This link first was forged as the railroads spiraled out across mountain and prairie from the first fringes of settlement. It was this expanding network of steel which brought growth and development to community and farm throughout the land. And it is this network of man and metal, pulsating with the blood of life and service, which permitted us to become one people, one kin, and holds us in one family circle, despite the barriers of time and distance.

One needs only to ponder on what would happen to the American way of life, in all its complexities and rewards, should our railroad transportation system suddenly become immobilized, to fully appreciate the place the railroads hold in the American consciousness and the hearts of the people.

The very continued existence of this our country, as we know it and would have it, relies to a great extent on the maintaining of a virile, vigorous railroad system.

We owe it to the American people, to our heritage, to see that this is accomplished.

Certainly, then, it is but our simple duty to enlist our hearts, our minds, and our every effort to preserve our railroad system, defend it and restore it as one of our finest national assets.

Thomas J. Reilly Now With Eastern Secur.

Thomas J. Reilly

Thomas J. Reillv has become associated with Eastern Securities, Inc., 120 Broadway, New York City, in the trading department.

S. K. Cunningham and R. C. Schmertz Merger

PITTSBURGH, Pa. — R. C. Schmertz & Company, Inc. and S. K. Cunningham & Co., Inc. will shortly merge and the new firm will be known as Cunningham, Schmertz & Co., Inc.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George D. Witter has joined the staff of Dean Witter & Co., 632 South Spring Street.

With Averly Eppler

(Special to THE FINANCIAL CHRONICLE)

REDWOOD CITY, Calif.—Gordon T. Collinson has become affiliated with Avery L. Eppler Company, 1839 Broadway.

From Washington Ahead of the News

By CARLISLE BARGERON

Harold Stassen's predicament over where to place the orders for the locomotives which we are to give to India is an ironic commentary on our so-called world leadership.

Harold heads up our Foreign Operations program by which we are not giving a bottle of milk to all the hottentots as Henry Wallace advocated to the merriment of all of us reactionaries, but more worthwhile and costlier things such as —locomotives. We are doing this, so we are told, because it is in the national interest that the economies of all the Free World nations be preserved and built up to give this Free World the proper strength with which to combat Soviet Russia, come hell or high water.

Carlisle Bargeron

Well, this being the case you would think Harold was perfectly right when he concluded that he could kill two birds with one stone, so to speak, in the matter of the locomotives for India. Not only would he put the reluctant Nehru in a stronger position to combat the machinations of Soviet Russia but by giving the order to build the locomotives to Japan he would strengthen the economy of that country and thereby make still another nation stronger in the great contest between the Free World and the Iron Curtain.

Ye Childe Harold as he has long since come to be known because at the age of 30 he identified himself as the answer to the prayers of the country's youth for a greater part in our national affairs, and who still considers himself as the leader of the nation's youth notwithstanding he has reached 50, would seem to have been on inescapably logical grounds in his plans. It is very seldom that a nation so bent upon building up the economies of other nations would have such an opportunity to build up the economies of two nations at one fell blow.

But instead of getting the plaudits of a people dedicated to the proposition of building up the economies of other nations, a virtual Niagara of criticism fell upon Harold. He had the further argument that Japan could build the locomotives much cheaper than the locomotive builders in this country could. Gosh, you could hardly ask for a better administration of the foreign aid program than that. Not only would two Free World nations be made stronger to combat Soviet Russia for the price of one but it would be cheaper for the American taxpayers.

It is plain that Harold hadn't done his home work, that he hadn't read up on how this business of helping the economies of other nations got started in the first place. He obviously hadn't seen the list of signers to the petition by the Committee of One Thousand which brought pressure to bear upon Congress when the proposition of spending billions of dollars to help the economies of other countries was first brought up.

There were reluctant members of Congress at the time, members who recalled our writing off of $11 billion in debts incurred by our allies in World War I, and who also contemplated the billions we had poured out in World War II. These reluctant members were prepared to call it quits and they thought they were fortified by the millions of overburdened taxpayers in this country.

They were astounded, however, at the wave of internationalism which struck them from the most unsuspected quarters. Industrialists who had been crying along with the rest of us against government spending and high taxes, turned out to be amazing students of the international situation. It was as if they, in their busy pursuits of making money for themselves and stockholders, had nevertheless been taking night courses in international affairs.

Why, there were such students of international affairs in this pressure upon Congress to disregard the purse strings and go overboard to save other Free World nations as the burley tobacco growers of Tennessee and Kentucky, and they had studied the matter so closely that they were convinced an amendment should be put into the foreign aid bill to make tobacco an essential foreign aid commodity. The workers of the Free World nations would never recover without the stimulant of burley tobacco, it was argued, and convincingly to the Congressmen from burley tobacco districts.

Of course, none of these "experts on foreign affairs" had no idea that we were to give locomotives, for example, to India made in Japan or burley tobacco to the workers of the Free World nations made in Turkey. That's carrying good neighborliness or support of Free World nations too far. There is a practical aspect to this bolstering of the economies of other nations. Harold lost sight of it.

He intends to work out of his predicament, as I understand it as of this writing, by letting Japan build half of the locomotives and American companies the other half. I doubt that even this decision will prevail.

Personnel Administration

By LAWRENCE C. LOVEJOY*

Personnel Consultant, Crucible Steel Company of America; Professor of Management and Industrial Relations, New York University

Professor Lovejoy maintains management has important responsibility to develop its people to become more responsible citizens, hold down better jobs, and to gain self-confidence.

Because of the dynamic nature of organized business activity it is mandatory that the management of it continually appraise the work loads of the people connected with it. Obsolete processes, duplicated and unnecessary work, together with the improperly used work time of people contribute to excess costs. Just because work has been done in a certain way for a long time is not, in itself, a good excuse for continuing any process or activity. Moreover, present management and those who aspire to management positions must always keep before them the basic principle that it is management's job to manage. If management does not determine and parcel out work loads with fairness both to itself and the employees concerned it is remiss in its job of management. Every manager, regardless of level, should consider himself an unsatisfactory performer unless he is not alone throughly acquainted with the responsibilities, authorities, and relationships of his job but is willing to assume the attitude of individual proprietorship over all the functions assigned to him.

Lawrence C. Lovejoy

The Good Communicator

The successful supervisor is a good communicator. He is a good listener, too. This supervisor is able to convey his ideas, thoughts, orders, and instructions so clearly that the employee knows just what the boss wants. Some people are better communicators than others for no other reason than they have been sensitive to the effects of their own communications upon others. They have learned over the years a good formula for themselves. This formula may not work for others in just the same way because there is no one standard formula for everyone. There is no magic to communications other than having an awareness of the problems involved and then doing something about them. These problems may involve what should or should not be communicated, language difficulties, emotions, logic, status anxieties, social relationships, etc. Then, too listening is just as valuable a method of communicating as talking. The good listener may solve many a problem because the mere telling of the problem causes the problem to disappear. Supervisors should cultivate the art of listening as well as the art of conveying meaning through the written or oral message.

A very important responsibility of management is the development of people whose daily activities it supervises. This development of people to become more responsible citizens, more capable of holding down better jobs, more confident in themselves, and more selfsatisfied is a challenge. It is a desirable objective not alone from the point of view of profit but an absolute necessity for the perpetuation of enterprise. How else can organized activity survive unless it provides for its orderly succession? This development of people includes many facets such as the development of a cooperative attitude, a willingness to work, a desire to turn out a fair day's work for a fair day's pay, and an ability to exhibit a friendly attitude toward all at the work place.

*Summary statement by Professor Lovejoy presented before the inaugural session of the Ohio Savings and Loan Academy, Granville, O., Aug. 14, 1954.

City Nat'l Bank to Be Host at ABA Breakfast

KANSAS CITY, Mo. — During the American Bankers Association meeting in Atlantic City next month, City National Bank & Trust Company of Kansas City, Mo., will give a breakfast for its correspondent bankers from 14 states and treasurers of national corporations. The breakfast, an annual event at ABA conventions, is scheduled for Sunday morning, Oct. 17, in the Vernon Room at Haddon Hall.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Martin P. Schultz is now with Harris, Upham & Co., 1620 Farnum Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks survived the Labor Day weekend this week, and despite the fact that this holiday has come to be accepted as a time of crisis for the market, there was little drastic change in the complexion of trading. A cautious tone was still the keynote after the warning signs of August when industrials were twice rebuffed at the 350 level and set up their first trading range of the year.

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Previous reactions were almost immediately followed by a renewed advance that pushed the indices to ever higher readings. But in breaching the previous lows the industrial issues set up a range in the 335-350 area and rebounded well from the lows to set the stage for a new decisive move. A good share of Street opinion is that a testing of the lows will be the more likely event before any convincing assault can be launched on the overhead resistance. But there was enough buying around to keep prices in the upper half of the trading range most of the time.

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Rails have shown far poorer action than the industrials and at the low of their reaction had just about wiped out all the progress made in a year and two-thirds. But, for a change, there was little talk of this acting as a brake on the industrials, and they were more or less credited with only a natural pause after an advance so steep and so steady as that underway for nearly a year now.

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The tradition that Labor Day is a rough period on stock prices has grown up without too much to substantiate it. Most of the feeling stems from the holiday in 1946 which abruptly ended the 1942-46 bull swing. But even here the Dow Theory followers had had warnings earlier and the selling both the day before and the day after the holiday was largely predicated on the imminence of a bear market signal, which came on schedule. Other major market upsets were Fall occurrences but without any particular link with Labor Day. The specific holiday also has a clear record this year what with somewhat spotty but still spirited advances both the day before and the one after.

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Those Confounding Aircrafts

Aircrafts continue to confound the market analysts. Despite a months-old feeling that is pretty general that they have long since reached an area that could be described as "too high," they are still able on occasion to bounce ahead in good style, including a runup this week that ran two to three points for the favorites in the group, including Bendix, Douglas and North American Aviation.

* * *

Steels are similarly unwilling to conform to majority opinion and despite a continued lag in the steel production rate, the larger producers have been able to take over market leadership with almost as much vim as the aircrafts. National Steel, which has been somewhat heavy since its last earnings statement, found this little of a handicap when the group was in demand, and it was well out front on the gain side.

* * *

Of the blue chips that did most of the work in carrying the industrial average up almost 100 points in less than a year, DuPont was the one that came closet to bearing out the notion that the blue chip sprint was over at least momentarily. This bellwether was more or less laggard throughout but even here it was clinging grimly only a few points below its high, the backwardness being more inaction than reaction.

* * *

Some High-Volume Orders

Some rather vague references to American Cable by a weekend newscaster was able to push this normally placid issue into the limelight, including an early 30,000-share transaction to start off the week. This, in turn, inspired enough bidding for its parent, International Telephone, for the senior issue to show a 60,000 bunched order. This latter transaction was the best single exchange since a 61,000-share trade of RKO Pictures back in March.

* * *

The year's record also shows a trade of 65,000 New York Central earlier when it became official that a proxy fight was assured—a fight, incidentally, that was successful. But none was able to come anywhere close to making the largest transfer of the year, that title without serious challenge going to the 200,000 block of RKO Pictures that greeted the announcement Howard Hughes was to buy out the company at the equivalent of double the market price.

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All of these large transactions have had a good part in building this year's volume to the point where this week the total reached a higher level on the New York Stock Exchange than the trading of all of last year.

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Ingersoll-Rand which is not too active a trading item, continues to make up for it and more in price movement, the specific reason being a pending 3-for-1 split, first since the 2-for-1 division in 1948. It is one of the issues that has been able to set all-time highs with almost every advance despite the seesawing of the market generally. Adding a handful of points this week brought it to a level where it was close to equalling the best of half a dozen years ago before the split. The stock first crossed par last year by a narrow margin after steady advances every year since 1949. It broke out into the all-time field this year. Of incidental note is that this is one of the few issues that didn't post its previous record price in 1929, but in dour 1930 by almost doubling the 1929 peak.

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Uranium and Atomic Activity

One oddity is that the great rush for uranium issues has had little effect on organized trading. In over-the-counter dealings, out West and up in Canada, even the whisper of uranium is enough to spur orders by droves, even in the face of definite attempts by the larger brokerage houses to discourage such blind overspeculation. In fact, some issues have been active trading items even before some of the newer companies got around to issuing the stock, the frenzy going right ahead on a when-issued basis.

* * *

By contrast, Duquesne Light has had little speculative play even in the face of the rather high-level publicity given to its role in operating the first atomic power plant to be built. This participation was given nation-wide publicity in the President's weekend message on atomic energy. Duquesne did succeed in keeping up its string of appearances on the new highs lists but it was mostly by mild daily improvement and isn't much of an accomplishment since organized trading in the stock has only been underway for about a year and a half.

* * *

Vanadium Corp., Climax Molybdenum and even Homestake Mines on occasion do well marketwise but the first two are far more prominent on strength when there is good feeling among investors toward the steel and metal issues generally than for their work in uranium fields. Virginia Carolina Chemical also shows more signs of popularity for other reasons than its uranium participation. Whatever the reason, Virginia has been showing superior market action despite occasional profit taking. It has posted an all-time high above 40 this year against the not quite 13 it reached in the 1946 bull swing which was far more inclusive and speculative than the current one up to now.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Public Utility Securities

By OWEN ELY

Southwestern Public Service Company

The common stock of Southwestern Public Service, one of the countrys outstanding growth utilities, was recently listed on the New York Stock Exchange, as well as on three Western exchanges. The company supplies electricity (plus a small amount of natural gas and water, which it may get rid of) in some 45,000 square miles of service area in the Texas and Oklahoma Panhandle, the Texas South Plains, the Pecos Valley in New Mexico and parts of Kansas. The population served is about 731,000 in 37 principal communities, of which the largest are Amarillo and Lubbock in Texas.

Originally farming and livestock furnished the principal activities but now farming represents only about 20% of gross income in the area. Oil and gas production is important, and there are numerous diversified industries, including mining and refining of potash and refining of zinc. Many new industrial plants have located in the area, including 24 this year. The Texas Company is building a $35 million high-octaine refining plant in Amarillo. In the 1953 fiscal year, residential and rural business accounted for 33% of electric revenues, commercial 24%, industrial 30% and miscellaneous 13%.

The company produces all its own power needs and is installing 165,000 kw. additional generating capacity in 1954-55, bringing total capability to around 750,000 kw. No generating equipment is on order for later delivery, since the company now has a capacity reserve of about 15% for the first time in years. However, the company expects to order 100-150,000 kw. generators for installation in 1957.

At the present time capitalization is approximately as follows:

Mortgage Bonds	55%
Debentures	6
Preferred Stock	9
Common Stock Equity	30
	100%

During the coming fiscal year the construction program will cost an estimated $16-18 million, compared with $21 million in 1954. This probably will be raised about as follows: $8-9 million in bonds; $1-$2 million preferred stock, and some small equity financing. The management is considering the possibility of asking stockholders to approve a change in the charter so as to end preemptive rights and give the management somewhat greater latitude in future equity financing. Little or no financing should be required in the 1956 fiscal year, since the company plans to "coast" with only about $6,000,000 construction.

In the fiscal year just closed, weather conditions were very unfavorable, with a severe drought followed by excessive rainfall. The latter greatly reduced the irrigation pumping load as well as the use of electricity for air-conditioning and refrigeration. As a result, the budget estimates for earnings did not work out. Revenue increased only 7% or about half the increase budgeted earlier. However, the month of August made a good showing with a gain of 16% in revenues over 1953. An all-time peak load of 504,000 kw. was set on July 21 this year.

It is estimated that about $1.50 on the outstanding 4,087,000 shares will be reported for the recent fiscal year ended Aug. 31, compared with $1.48 in 1953. The dividend rate ($1.32) will thus reflect on 85% payout. For next year Chairman Herbert Nichols in a recent address before the N. Y. Society of Security Analysts) estimated earnings at $1.60-$1.65 after allowance for equity financing. This is based on a budgeted gain in revenues of 11½%. While the wheat crop in the Panhandle was only about half of normal, due to the bad weather, recent heavy rains have made soil conditions the best in many years.

The company is now earning about 5.9% on an original cost rate base. The New Mexico Commission would probably allow a return of 6½%, and there is no regulation in Texas (except as occasionally exercised by the municipalities) so that earnings might well increase to a higher level without encountering any regulatory difficulties.

The company's labor relations are excellent. The pension system has been revised and improved but no increase in wage rates should be necessary over the next year and a half, unless the cost of living index goes up 3 points, in which case the union can reopen the wage question.

The company uses natural gas as fuel for its boilers at an average present contract cost of about 7-8¢. Twelve-year renewals of these contracts may bring the cost up to 13½¢, it is estimated. Purchases are made from El Paso Natural Gas, Phillips Petroleum, and others; Phillips in turn buys a substantial amount of electricity from the company.

Due to the large amount of new construction which has been certified for five-year amortization, the company enjoys substantial tax savings (deferred taxes), which are not reflected in stated share earnings. This and other factors make dividend payments partially "tax-free." In the calendar year 1953 about 24% of dividend payments were tax-free, while in 1954 it is estimated that about 45% to 50% will be free of regular income taxes (subject only to eventual capital gains taxes).

The stock is currently selling around 27 to yield 4.9%.

A. G. Stratton With Van Alstyne, Noel

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York and the American Stock Exchange, have announced that Arthur G. Stratton, Jr., has become associated with the firm as a registered representative. Mr. Stratton was formerly with Eastman, Dillon & Company.

Controversies Regarding Monetary Policy

By E. SHERMAN ADAMS*
Deputy Manager in Charge of Monetary Policy
American Bankers Association

Monetary expert of ABA reviews controversies regarding the methods and limits of monetary policy. Says problem should not be judged solely on one standpoint, and the chief schools of thought regarding the question may not be as far apart as they seem. Holds monetary management is in continuous process of evolution, and one should expect some change from time to time in Federal Reserve policy. Concludes present debate on monetary policy could prove salutary, and that carefully though out criteria and procedures will strengthen the effectiveness of monetary policy.

Over the past year or so, an important debate has been in progress as to how monetary policy should be operated. The outcome may affect the future role of monetary management in the United States. It may have significant implications for interest rates and bank earnings. It could have considerable bearing on the future independence of the Federal Reserve System.

Dr. E. S. Adams

The problem is how the Reserve System can most effectively contribute to the stability of the American economy. Having freed itself from a policy of closely regulating government security prices and yields, how far should it go in the other direction? In what manner and for what purposes should it intervene in the government securities market? What criteria should govern the volume of its open market operations?

These questions presuppose that monetary management can and should be used to combat inflations and deflations. It has been amply demonstrated that rigid support of the goverment bond market is incompatible with this objective. There is widespread agreement that credit conditions should be permitted to tighten when inflation threatens and that an easier money policy is appropriate when there is some slack in the economy. Disagreement arises as to just how this general principle should be applied.

Ever since 1951 when the Federal Reserve-Treasury "accord" ended the pegging of government bonds, Federal Reserve policy has been moving further and further toward the opposite extreme of minimum regulation of the government securities market. The question now is whether it may have gone too far in what is admittedly a good direction.

This problem has been and still is a matter of controversy within the Reserve System as well as outside in both financial and academic circles. The debate has consisted largely of innumerable conversations among those who are particularly interested in central banking and the money market. Most of the arguing has been off the record.

Discussion has increased since last March after the publication of the minutes of the 1953 meetings of the Federal Open Market Committee. These minutes, published as an appendix to the "Annual Report" of the Board of Governors, summarize the conflict of views within the Open Market Committee itself. More recently the president of the Federal Reserve Bank of New York has publicly amplified his own views and urged that the issues should receive more attention.

*An address by Mr. Adams before the Eleventh Annual Study Conference, Tennessee Bankers Association, Knoxville, Tenn., Sept. 8, 1954.

Two Schools of Thought

Controversy has centered around two fundamental aspects of monetary management: its proper scope, and its proper functions. These involve a number of interrelated questions, as follows:

First, **as regards the scope of monetary policy**: Should the Federal Reserve System operate only in the short end of the government securities market, or should it also at times intervene directly in the market for longer maturities? Under what circumstances should it buy or sell governments other than very short term issues?

Second, **as regards the functioning of open market policy**: For what purposes should the Federal Reserve intervene in the government securities market? What criteria should it use to determine the extent of its intervention? Should it be primarily concerned with the effects of operations upon the quantity of bank reserves and the quantity of credit or should it also be concerned at times with influencing the level and perhaps even the pattern of interest rates?

There is obviously ample room for a wide variety of viewpoints and shadings of viewpoints with respect to this assortment of questions. It is useful, however, to distinguish two general schools of thought. The handiest distinction is between those who think the Federal should operate only in 90-day Treasury bills and those who believe its operations should usually but not always be in bills.

Let us summarize the positions of these two groups which, for convenience, we might refer to as the "Only-Bills School" and the "Uusually-Bills School" — the "Onlyites" and the "Usuallyites."

Onlyites vs. Usuallyites

The Only-Bills School would have the Federal Reserve deviate from the short end of the market only in very special cases to correct really "disorderly conditions." "Onlyites" do not try to define this term precisely, of course, but one gathers that there have not been more than a very few occasions over the past 25 years that they would regard as having warranted departure from very short term issues.

Most "Onlyites" concede that the Federal does have some responsibility toward the long term market, but they hold that this can best be discharged by developing a broad, self-reliant government bond market. They also argue that the Federal can effectively influence the long-term market indirectly through its regulation of short term credit.

A corollary proposition is that the sole purpose of open market operations should be to supply or absorb member bank reserves. This suggests that the Federal should concentrate on seeing to it that the banking system has the right quantity of reserves and that it should not be greatly concerned with regulating the level or pattern of interest rates. "Onlyites" hold that the desired effect on interest rates can best be brought about by the interplay of market forces influenced by Federal Reserve action in bills. They would permit relationships between rates to be determined by the market.

In the other corner, the "Usually-Bills School" holds that the Reserve System has important responsibilities toward the long-term credit market and that these cannot always be discharged most effectively by operating solely in Treasury bills. In the words of one member of this school, "just putting in and taking out reserves at the short end of the market is not always good enough or certain enough."

Most "Uusuallyites" think that there are at least three purposes for which the Federal should at times deviate from Treasury bills: (1) to influence the cost and availability of medium and long-term credit, (2) to make desirable adjustments in the Federal's own portfolio, and (3) to assist the Treasury with its debt management operations.

Although the Reserve Board has not spelled out its views in detail, its official position at the present time is generally on the "Onlyite" side. However, some Federal Reserve officials, including the President of the Federal Reserve Bank of New York, espouse the "Usuallyite" viewpoint.

The "Free Market" Controversy

What are the merits and weaknesses of these two schools of thought? Let us first consider the respective arguments that are advanced from the standpoint of central banking theory.

In general,, "Onlyites" place considerable reliance upon the beneficient functioning of supply and demand in a "free" money market. "Usuallyites" contend that the market might well benefit from an occasional assist from the Reserve System.

More specifically, "Onlyites" argue that we have now achieved a "free" money market in which resources are allocated by the supply and demand forces, that maintenance of this kind of a market will contribute to the stability of the economy, and that the chief function of monetary policy should be the minimum role of fostering a "free" and self-reliant market. Some would go so far as to argue that a free money market is essential to our free enterprise system.

"Usuallyites" believe that the money market is not and cannot be really "free" in any usual sense of that term, that Federal Reserve policy is bound to have an important influence upon interest rates, that a central bank should be very much concerned with the cost of money, and that so-called natural forces cannot be relied upon to work toward stability under all circumstances. They hold that the Federal Reserve cannot disavow its responsibility for making full use of its powers to combat economic instability and that the System should not restrict its own freedom of action in dealing with monetary problems.

"Usuallyites" believe that there are some occasions when the best way to influence the long-term market is by direct intervention in that market. Why should the central bank deny itself the opportunity of exerting some influence directly in this sector? The indirect approach through the short-term market is satisfactory most of the time, but it may not always work because of the imperfect arbitrage between markets. Freedom to operate where needed, according to the "Usuallyites," would help to achieve the purpose of monetary policy most effectively.

At this point, "Onlyites" would charge "Usuallyites" with wanting to interfere too much with natural market forces. "Usuallyites" would reply that the functioning of the money market is by no means flawless and would charge "Onlyites" with being unrealistic, flexible, and doctrinaire.

How Much Emphasis on Quantity?

Some "Onlyites" apparently think largely in terms of the quantity of bank reserves and bank credit and not so much in terms of the availability of credit or its cost. To determine the proper quantity of bank reserves, they would take into account the requirements of the Treasury and the "normal" seasonal and growth needs of the economy. They regard the cost of credit—interest rates—as being only one of many factors to be taken into consideration.

"Usuallyites" are unimpressed. It may be all very well, they say, to talk about the quantity of credit needed by a growing economy when it is growing at a constant rate, but how much help is this concept when the economy is not growing at the "normal" pace? They contend, moreover, that the Federal Reserve has traditionally operated by influencing not only the quantity of credit but also its availability and cost. All three factors should be taken into account in the formulation of credit policy. Excessive preoccupation with any one of them is dangerous, and that applies to quantity just as much as it does to interest rates.

"Usuallyites" emphasize that interest rates provide the best indication of supply-demand relationships in the money market and that they therefore constitute one of the most useful criteria for determining the extent to which the Federal should engage in open market operations. Interest rates are the best thermometer you have. Unless you watch this thermometer carefully, you may run the risk of either tightening or easing credit too much. Most "Onlyites" would not disregard the thermometer entirely but would pay less attention to it than the "Usuallyites."

Open market operations are obviously bound to affect both the volume of member bank reserve and also the prices and yields of government securities. It would be wrong, of course, for the Federal Reserve to maintain any fixed pattern of prices and yields, disregarding the effects on the volume of reserves. "Usuallyites" are apprehensive, however, that "Onlyites" may go too far in the opposite direction of placing too much emphasis on the volume of bank reserves.

The Historical Background

That is the way the arguments run from the standpoint of central banking theory. However, the problem should not be judged solely from this one standpoint. For a balanced appraisal, we should consider its historical background and several other aspects as well.

Viewed in historical perspective, the "Only-Bills School" appears to be, in many respects, a return toward earlier ideas about central banking. When the Federal Reserve System was established in 1913, monetary policy was expected to be concerned only with short-term commercial bank credit. It was tacitly assumed that the capital market would somehow look after itself.

This attitude gradually changed. By 1937, the System was purchasing long-term government bonds for the stated purpose originally of preventing "disorderly" conditions in that market, subsequently to maintain "orderly" conditions. Stabilizing operations were undertaken again when the war broke out in 1939. After we entered the war, prices of long-term governments were stabilized indirectly by the pegging of rates on short-term issues.

During the postwar period, the idea of bond market stabilization was carried to an unheard-of extreme with the policy of supporting government bonds at fixed prices above par. During the 12 months ended Oct. 31, 1948, the Reserve Banks added $10.2 billion to their holdings of Treasury bonds. That figure is a pretty good measure of the extent to which the System provided new funds directly to the long-term credit market.

It should be emphasized that this support-at-par program was a complete perversion of the very principle of monetary policy. Excessive stability of bond prices and interest rates is utterly at odds with the basic concept of credit control. It implies a policy of keeping credit easy at all times despite the inevitable inflationary consequences. It means the virtual abandonment of the use of general credit policy as a means of restraining credit inflation.

Having escaped from this fate worse than death via the "accord" of 1951, it is hardly surprising that some persons should wish to go as far as possible in the opposite direction. They feel that any policy that even smacks of dictated interest rates should be avoided like the plague, and the policy that smacks least is to operate only in Treasury bills — "the nearest thing to money." "Usuallyites" regard this as a "burnt-child reaction" which goes considerably further than is either necessary or desirable.

Strategy for Independence

Quite apart from considerations of central banking theory, "Only-

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Atomic Energy Tomorrow

brothers flew the first airplane in 1903, yet it was 1916 before the airplane became a significant military weapon, and over 25 years, in 1930, before it became important in the world of commerce. Atomic energy on the other hand, only six years after its discovery as a useable force, brought to a prompt conclusion a world-wide war that had been in progress four years. Atomic energy revolutionized the science of warfare. In another 10 years, atomic energy will have revolutionized power production throughout the world and hence revolutionized certain basic concepts of industry. All this in a period of 25 years.

Let us look first to the military field where atomic energy has already provided us with our main bulwark against the Soviet Communist dictatorship. Here we can foresee both nuclear and thermonuclear weapons quite small in both size and weight, but of tremendous destructive power, weapons that can readily be transported by aircraft to any point in the world or installed in warheads of guided missiles. In fact, we may, be approaching the point where we can see the end of the manned bomber, and we may well be entering the era of true pushbotton warfare. A missile launched from one continent will have the capability of being unerringly directed to a target in another continent; such missiles can carry warheads capable or vast destructive power. What with radar and ground-to-air missiles equipped with automatic detonating atomic warheads, the defense fighter may also be on its way out. No more will we see the cavalier duels of the days of Eddie Rickenbacker and von Richthoven.

For the Navy, we have already commenced building what should ultimately be a large fleet of nuclear-powered submarines. Here for the first time is a true submersible—a vessel that can stay under water for weeks at a time, a vessel that can travel far beneath the surface of the water at speeds in excess of a fleet at sea, a submarine whose sea-keeping qualities are determined only by the physical endurance of her crew. Presumably, such a vessel could be equipped with atomic warhead torpedoes capable of destroying a convoy in one strike. The battleship admiral went into limbo with the coming of the airplane, and the atomic submarine is about to consign the carrier admirals to the same fate.

In the field of aircraft, the atom will also bring about great changes, for nuclear power offers the first real hope for supersonic aircraft of unlimited range. In the nuclear power plant for the first time we have an almost inexhaustible source of power which requires, for all practical purposes, zero weight of fuel. This means that an aircraft will be able to take off from this continent, cruise over any portion of the world and carry out any desired military mission. The duration of the mission will be determined only by the endurance of the crew.

All of these military developments of atomic energy make it clear that there will be great opportunities for the employment of radically new — even revolutionary—concepts of warfare. And the most radical concept of all is that war isn't safe anymore.

However, we must always keep in mind that what we can achieve in a technical and scientific way can also be achiheved by an enemy. As a nation, we take pride in our abilities and achievements. We are confident, even somewhat egotistical, whenever we compare ourselves with others, especially Russia. Lest the glittering promise of our future atomic strength lulls us into complacency, I would like to mention a few facts.

Foreign-Born Contributors to Atomic Energy

We tend to think of our atomic accomplishments as being American in origin. Americans—that is, people born here in America, have made great contributions. But our foreign - born friends have played a role of great significance. The basic idea for the harnessing of atomic energy was conceived by a group of seven men in Rome in 1935 and patented by them in 1939. Dr. Enrico Fermi, the leader of that group, came to the United States and has been working here with us and for the cause of freedom ever since. He is one of our great scientists. He is what we usually call a "foreigner." But another of that same group in Rome is not with us, Bruno Pontecorvo went behind the Iron Curtain several years ago. He is working for Communism. This choice—East or West—is one which many scientists in Europe have had to make in recent years. Men of equal brilliance have chosen opposite paths. We have Teller; they have Joliot-Curie. We have Gamov; they have Kapitza.

So it has gone. We would do well to consider carefully whether or not our official attitudes toward foreign-born scientists and engineers and our immigration and viso laws governing their admission to the United States are really serving the cause of freedom. It is not a nice thing to think that the very men and women who could help us win this atomic race, men and women who want to help us, are being barred from doing so because we are afraid to let them join us. Of course the lives of Europeans have been mixed up during the past 50 years. They have seen and know both sides. If they chose to join us, we should welcome them with open arms and be happy at their choice.

Some say—"Look to our own scientists. Rely on them." But where are they? Our educational program is geared to produce college graduates in large numbers, but beyond that—what? Technical training perhaps—professional training leading to success as a doctor, lawyer or engineer—but what do we do about breeding scientists—men who are inspired to learn, beyond the mere practical, into the very secrets of nature. We think of Einstein, Fermi, Teller, Wigner, Rabi, and many more—all trained abroad. And then we do have a few Americans, such as Lawrence, Oppenheimer, and DuBridge. But we need desperately to train more young scientists in order to obtain a few truly great ones. What are we doing about it? Do we really appreciate the tremendous dependence of our nation on the scientists and engineers? Do we fully realize that one man with an idea on how to guide an intercontinental missile to its target with accuracy is worth thousands of men in uniform? Instead of concentrating on boastful pride in things accomplished, more time should be spent pondering the magnitude of the tasks that lie ahead and the ways of attracting young minds to attacking these problems.

We have a deferment program designed to permit students to stay in school, until they graduate. But Selective Service is a sword hanging over their heads. We have a program of Federal grants for colleges and universities, but is it adequate to maintain high teaching standards? We have fine Federal research centers, but are they administered in such a way as to serve the double functions of accomplishing research and training new scientists and engineers? These are questions which need exploration and deep thought. These are matters in which your background, knowledge, and undertsanding can make important contributions. I urge you to think about them wisely and without passion, and to act on your conclusions. Act with all the strength and vigor at your command, for time is running out.

Promise of Peacetime Atomic Development

There is more at stake than miliary strength, important though that is. Atomic development holds great promise for the peacetime side of our lives. The same men and women who can give us military strength can also give us fuller, better lives in the decades ahead. Inspire these people; seek them out. Make them feel the honor and responsibility which is properly theirs. And they will help us all achieve the things which today are no more than promises, things which can be realities tomorrow. The wonders ahead are well worth the effort.

For example, nuclear - powered merchant ships are only a few years away, if we work hard at it. Such ships will be capable of cruising for a year or two without refueling. They will have the high speeds of modern warships and carry larger cargoes in their holds in space no longer filled with coal or oil.

Nuclear-powered airliners may even be practical. Certainly we can know if this be true within the next 10 years. Such aircraft will annihilate distances completely, making possible circumnavigation of the globe several times without landing. Oceans, mountains, deserts will mean nothing. Time will be annihilated. Africa and Asia—to say nothing of Europe—will be on our doorstep, and we on theirs. Our splendid isolation is indeed a thing of the past.

Atomic energy may soon revolutionize the pattern of industry. Electricity obtained from the atom means freedom from one of the factors which has always controlled industrial plant location. Electricity from the fossil fuels—coal, oil, and gas — provided the great impetus to our economy during the past 75 years. But our industrial plants have had to be located near cheap fuel sources—near coal mines as at Pittsburgh, along rivers where fuel could be barged cheaply, along our seacoasts where it could be brought in cheaply by ships. We have strained to extend this pattern. Oil and gas transmission lines now cross our land like a net. But as our industrial appetite for fuel increases, oil and gas are the two power sources which will fail earliest. We are using up our fossil fuels at a rapidly increasing rate. It took millions of years for nature to create these sources of power. They cannot be replaced. They are not unlimited.

I know many people have cried "wolf" on this score before. But there is an end of the cheap oil and gas supply somewhere. As we go on faster and faster, that day draws closer. When that day arrives, atomic power must be ready to take over, or our industrial strength will fade away. There is enough uranium in the world to supply our power needs —and those of all other nations—for many centuries. Uranium is not a rare metal. It is one of the most abundant on earth. Already we are obtaining it from the gold and copper tailings of South Africa, the phosphate deposits in Florida, and the old buried stream beds of the Colorado Plateau. The miles and miles of shales under our entire Great Plains can be mined to yield economically recoverable uranium.

Atomic energy is a wonder fuel. A tiny amount of it yields a lot of energy over a long time. Atomic power plants can be located far from our rivers and seacoasts. Cheap electricity will be available where needed throughout our entire country. Mineral deposits of too low grade to be worked profitably today can be refined at the minehead. Land too dry to be farmed may soon be irrigated by cheap electric pumping power made possible by atomic energy. It may even be profitable to distill sea water for agricultural use.

Admittedly, in another 10 years, nuclear power will just be coming into commercial use, but it will start supplementing our present power resources. As the demand grows, nuclear power can pick up the load.

You can well ask why we aren't getting on with all of this faster. Well, there are some dangers to be met, also. Atomic energy involves radioactivity. There are dangerous by-products which we must learn how to handle. There are radioactive ashes, so to speak, that can't just be put on the town dump. We have to learn not only how to harness atomic energy but how to live with it. This has its advantages as well as its disadvantages. As we learn more about it, we also learn new uses for it.

Nuclear Energy and Agriculture

Nuclear energy is already bringing about great changes in agriculture. Ten years from now these changes will be of far-reaching consequences. Our scientists are using radioisotopes and radioactivity to develop new and better crops—bigger apples, better peaches, new strains of wheat, oats, barley, rye, and corn better able to resist blights and diseases. They are learning how fertilizers really work and when to use them. Scientists are actually trying to outguess nature.

The Army Quartermaster Corps is conducting a very far-reaching series of experiments on the preservation of food using the radiation from atomic energy by-products. Instead of having to rely on refrigeration canning, or drying, we will soon be able to preserve foods almost indefinite just by exposing them to atomic radiation. Meat has already been preserved in palatable form for over three years. Think what a revolution it would be if we could do away with all the refrigerators in our homes, all the refrigerated railroad cars and trucks. Success of these Army Quartermaster experiments surely will mean a tremendous food processing revolution not only for the military services but for the entire world.

How we use this new force of atomic energy — how we tackle the job—how we prepare to meet the challenges of the atomic era —these are things we can control. We have made a good start. But we are not as much ahead of other nations as we would like to think. As the nations of the world come to depend more and more on scientific progress for their social, political, economic, and military strength, the role of a relatively small number of men and women increases. I cannot stress this too much. No matter into what field we turn—medicine, agriculture, power, or weapons—it is not the great numbers that count, but the few great ideas and the great brains that developed them. And there are always too few people with trained minds to carry us forward. We are too quick to oppose the idea that one man can make a more significant contribution than another. The concept that all men are created equal has dominated our thinking. To be sure, they are equal before the law. But they are not all alike. Men cannot be treated like so many cars coming off the assembly line. The success or failure of each man and woman in making his contribution to the world is a matter of emphasizing particular talents, of being different each in his own way.

Before America can have genuine confidence in its atomic tomorrow there must be clearer recognition of the role of the individual. We must make more room for the development of brains. We need less conformity, less sameness. As a dynamic force in American life, the American Legion can help. Review our manpower policies. Be critical of the demands of the military on our nation's manpower. Re-examine our immigration programs. And at all times, keep asking: "What needs to be done? Where are we going? How can we get there? What calculated risks are worth taking?"

And if you come up with different answers to these questions today and tomorrow, than you have reached in the past, regard them as a challenge and an opportunity. It is folly to defend indefensible "mandates." Our stake in the atomic future is too high. As you go home—be not satisfied with what you have done here. Let this inspire you to **think** and **act**.

Sec. of Treasury to Address IBA NY Group

Announcing plans for the annual dinner of the Investment Bankers Association of America New York Group, Robert W. Fisher, Chairman of the Group, said that George M. Humphrey, Secretary of the Treasury, who will be the guest of honor, will present a plaque to the IBA New York Group team which achieved the best record of sales of U. S. Government Savings Bonds in the drive which opened early last April. Mr. Fisher, a Vice-President of Blyth & Co., Inc., directed the Group's Savings Bond Committee. The dinner will be held Oct 21 at the Waldorf-Astoria Hotel.


George M. Humphrey

The local sales campaign was part of a nationwide drive to stimulate the purchase by individual investors of Series H savings bonds under an arrangement with U. S. Treasury officials. Territory of the IBA New Group covers New York, New Jersey and Connecticut. It is understood that public sales of U. S. Government Series H savings bonds, as a result of efforts of the IBA men, increased more than 100% over last year in this territory.

The dinner will mark the first New York speaking engagement of Mr. Humphrey before a banking and business group since he entered President Eisenhower's Cabinet. The Group's forum, preceding the dinner, will be highlighted by a General Electric Company film and oral presentation of its forecast of "An Electrifying Future." This will depict the progress so far toward the application of atomic energy to industrial uses.

John Hoffmann With Reynolds & Co. Staff

Thomas F. Staley, senior partner of Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced that John F. Hoffmann has joined the firm as sales manager of the municipal department specializing in general obligations, revenue and housing authority bonds.

Formerly with Shields & Co. as a municipal sales specialist, Mr. Hoffmann is a member of the Municipal Bond Club of N. Y. and the Bond Club of N. J.

Towards Normal Prices in Britain

By PAUL EINZIG

Commenting on Act of British Parliament which ended rigid stabilization of rents, Dr. Einzig sees in this move another step toward complete de-control of prices in England. Reviews consequences of price and foreign exchange controls in Britain, and comes to the conclusion that the British experience shows that in the case of countries with price controls, the Purchasing Power Parities should not be based on index numbers, but rather on the level to which prices would rise in the absence of controls.

LONDON, Eng.—Before Parliament rose for the summer recess at the end of July, it passed the Housing Repairs and Rents Bill. This is an important landmark in British postwar economic history, because it means the end of the rigid stabilization of rents, one of the most important items in the cost of living. Admittedly even under the new law it will not be possible to raise the controlled rents of over 6,000,000 houses to a commercial level. They will continue to be kept artificially and un-economically low. But the first step has been taken toward their adjustment to a normal level. This step follows on the de-control of the prices of various essential foodstuffs during the last year or two. Meat, butter and other foods are now bought and sold at prices corresponding to supply and demand, instead of at prices artificially fixed by the government well below their natural level.

Dr. Paul Einzig

In countries where such wartime price controls have long gone overboard the significance of this delayed development in Britain is apt to be overlooked. In order to appreciate its full importance it is necessary to realize that the removal of price controls constituted a victory over a powerful trend in British social policy, aiming at the distribution of essential foodstuffs and other essential goods at low and heavily subsidized prices. This has come to be widely regarded as one of the essential functions of the Welfare State. The idea is that the prices of necessities should be within the means of even the poorest consumers who should be enabled, with the aid of price controls and rationing, to buy high-quality food, such as home-produced meat or butter, instead of having to be content with frozen meat and margarine.

In postwar Britain the controls required for such purpose were widely regarded, not as necessary evils inherited from the war which should be removed as soon as practicable, but as something worth having for their own sake. It was, and still is, widely believed among Socialists that it would be possible and necessary to perpetuate a dual price level—an artificially low level for necessities and a free high level for less essential goods. The principle of "rationing by purse"—that is, discouragement of domestic consumption of higher-quality goods in short supply by allowing their prices to find their natural level—was widely condemned.

Yet it must be evident to the unprejudiced observer that the perpetuation of such an artificial situation is bound to entail grave disadvantages. Because of the artificially low level of controlled prices, postwar Britain consumed more meat, for instance, than she could afford in prevailing conditions. As a result, the whole of British investment in Argentine railways, built up gradually during the 19th century by pioneering British enterprise and finance, was sacrificed to pay for meat imports during a single year.

Another economic consequence of the artificially low level of rents, food and other controlled goods was the inflated demand for unrationed goods. Since the controlled items of the cost of living absorbed a relatively small proportion of the consumers' incomes, it was possible to spend more on uncontrolled goods. This reduced the surplus available for export, during a period when, owing to the existence of an almost insatiable worldwide demand, it would have been possible to sell very large quantities of manufactures abroad. If during the first six postwar years the British consumer had been forced to reduce his purchases by 5% only, this might have sufficed to enable Britain to repay the whole of her enormous war debt represented by sterling balances of about £3,500 million held overseas. Such a speedy removal of the burden inherited from the war would have greatly increased Britain's economic and political power and prestige. It would have greatly increased the self-confidence and self-respect of the British people. But the Socialist Government preferred the speedy adoption of the Welfare State, with its increased consumption beyond the country's means.

The crises of 1947 and 1949, culminating in the drastic devaluation of sterling, were also largely due to the maintenance of an artificially low price level for essentials. On the face of it, sterling did not appear to be overvalued at its dollar rate of $4.02. Indeed some prominent British experts such as Mr. Harrod and Professor Hawtrey, believed that it was undervalued, because, as indicated by the various index numbers, the British price level was, if anything, lower than the American price level. They advocated, therefore, an upward revaluation of sterling and not a downward devaluation. Foreign holders of sterling and the business world abroad in general took, however, the opposite view. They were firmly convinced that at $4.02 sterling was too high, and arranged their operations accordingly, with the result that the decline of the gold reserve forced the government to devalue.

Not for the first time, nor presumably for the last time, the instinct of businessmen innocent of any knowledge of economic theory proved to be more dependable than the views of highly qualified theoretical economists. Few, if any, of the businessmen who liquidated their sterling balances or withheld orders or payments for British goods in 1949, in anticipation of a devaluation, could have given a proper explanation why they were convinced that sterling was doomed to be devalued. More likely than not, the overwhelming majority was right for the wrong reason. But their inarticulate feeling that, no matter what the index numbers of prices show, sterling was overvalued, was in fact fully justified. For the British index numbers were largely based on the artificially low subsidized prices. While on the face of it the British price level did not appear to be unduly high relative to world market prices, in reality its artificial character concealed a fundamental disequilibrium.

In normal conditions the exchange rate is at equilibrium if it represents more or less the ratio between the price levels of the countries concerned. But if the price level in one of the trading countries is kept artificially low, by means of price control, then the exchange rate corresponding to this ratio—called in the jargon of economists the "Purchasing Power Parity" — is not at equilibrium. For the inflated domestic demand by consumers in the country whose prices are kept artificially low is liable to retain in the home market goods which could and should be exported in order to safeguard the balance of payments. To take a concrete example, even if the price of British television sets was competitive abroad, Britain was unable to export enough of them, because, owing to artificially low rents and food prices, the British public was able to afford to buy too many sets and there was not enough of them left for export.

All this is now past history, but it is worth recalling in order to emphasize that, now that the British price level is no longer so artificial, index numbers may be looked upon as a more dependable guide to the equilibrium rate of sterling than they were in 1949. For theoretical economists the lesson taught by the experience of 1949 is that in the case of countries with price control the "Purchasing Power Parities" should be based not on actual index numbers but on the level to which prices would rise in the absence of price controls.

La Salle Street Women To Hear at Meeting

CHICAGO, Ill.—Sydney Stein, Jr., partner of Stein Roe & Farnham, will address members of La Salle Street Women at their opening Dinner Meeting on Wednesday, Sept. 15, 1954 at the Chicago Bar Association. The subject of his talk will be "Investment Counsel."

After receiving his Ph. B. degree at the University of Chicago, Mr. Stein became associated with A. G. Becker & Co. In 1932 he left that firm and founded the investment counsel firm of Sydney Stein, Jr. and Associates which later became Stein & Roe and is now known as Stein Roe & Farnham.

From 1941 to 1945 Mr. Stein served with the Federal Budget Bureau advising on administrative and organization problems of the Armed Services, Federal Departments and Agencies concerned with war supply and international relations.

The President of the organization, Miss Joan Richardson of Glore, Forgan & Co., will preside at the meeting.

Joins Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack V. McIntyre has been added to the staff of Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Samuel A. Williams is now with Hornblower & Weeks, 134 South La Salle Street. He was formerly with Rogers & Tracy, Inc.

Hy Patashnick Opens

NORTH ADAMS, Mass. — Hy Patashnick is engaging in a securities business from offices at 111 Main Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

G. Butler Sherwell, a Vice-President of **Manufacturers Trust Company, New York** has received the Grand Cross of Isabel la Catolica, considered to be the highest distinction given by Spain to foreigners for merit and service to that country and to humanity, it was announced on Sept. 8.

The award was conferred upon Mr. Sherwell at the Spanish Consulate in New York by Minister-Consul General Ramon de la Presilla under instructions from the Spanish Minister of Foreign Affairs. This honor follows, by a little over five years, a ceremony at the Palace of Viana in Madrid in May, 1949, when Minister of Foreign Affairs Alberto Martin Artajo, acting for the head of the Spanish State, Generalisimo Francisco Franco, created Mr. Sherwell a Commander of the Order of Isabel la Catolica for merit and service rendered to the Spanish State.

Mr. Sherwell's connection with Manufacturers Trust Company dates from 1932. He has been a Vice President for the last 15 years.

* * *

Approval was given by the Banking Department of the State of New York to the **First Bank & Trust Company of Utica, N. Y.** on Aug. 31, to increase of capital stock from $2,565,000, consisting of $2,350,000 of preferred stock divided into 940,000 shares of the par value of $2.50 per share and $215,000 of common stock divided into 215,000 shares of the par value of $1.00 per share, to $4,500,000, consisting of $2,350,000 of preferred stock divided into 940,000 shares of the par value of $2.50 per share and $2,150,000 of common stock divided into 2,150,000 shares of the par value of $1.00 per share.

On September 1 the Banking Department gave approval to Certificate of Decrease of Capital Stock of the First Bank & Trust Company of Utica from $4,500,000, consisting of $2,350,000 of preferred stock divided into 940.000 shares of the par value of $2.50 per share and $2,150,000 of common stock divided into 2,150,000 shares of the par value of $1.00 per share, to $2,150,000, consisting of 2,150,000 shares of common stock of the par value of $1.00 per share.

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The Live Stock National Bank of Omaha, Nebraska with common capital stock of $1,500,000 went into voluntary liquidation effective August 20 and was absorbed by **The Omaha National Bank, Omaha, Nebraska.**

* * *

Mr. James W. Speas, Vice-President, Trust Officer and head of the Investment Department of the **First National Bank of Atlanta, Georgia,** was honored at a dinner given for him by Mr. James D. Robinson, Jr., Chairman of the Board of the First National. The dinner was held at the Capital City Club and over 100 guests were present to honor Mr. Speas on his retirement from the Bank after becoming eligible Aug. 31, 1954 under the Bank's Retirement Plan. He joined the First National in December of 1930.

* * *

Plans for a merger of the **National City Bank of Dallas, Texas** with the **Republic National Bank, Dallas, Texas** along with an increase in Republic's Capital and Surplus from $50,000,000 to $60,000,000, were announced Sept. 4.

The announcement was made jointly in a statement by Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, President, of Republic, and by R. R. Gilbert, Chairman, and DeWitt T. Ray, President, of National City.

Thus, officials of the two banks made public a program which has been under consideration for some time. Boards of Directors of both banks have approved the proposals, which will be formally submitted to the Comptroller of the Currency of the United States for approval.

Upon approval of the Comptroller, final action will be subject to approval and ratification by the Boards of Directors and stockholders of both institutions.

Mr. Hoblitzelle and Mr. Florence also announced plans for a stock dividend of 170,000 shares to present stockholders of Republic, which would be 8½% of the 2,000,000 shares presently outstanding.

Adopted also is an increase in the current dividend rate on Republic stock from the present 12c per share per month to 14c per share per month, effective for the month of October, resulting in an annual dividend of $1.68 per share. Including stock dividend of 8½%, total annual dividends to present shareholders will be slightly in excess of $1.82 on the shares presently outstanding. This compares with present annual dividend of $1.50 per share.

The proposed merger of the two banks would be accomplished on the basis of 80,000 shares of $12 par value stock of the Republic National Bank stock in exchange for the 50,000 shares of $20 par value stock of the National City Bank.

Upon completion of the merger, there will be 2,250,000 shares of Republic National Bank Stock outstanding. This figure includes the 170,000 shares covering the stock dividend, and the 80,000 shares for the National City Bank.

It is also proposed that $2,000,000 will be paid into the Bank from the reserves of Republic National Company and affiliates, but no part of the $2,000,000 will come from The Howard Corporation, wholly-owned affiliate of the Bank.

Completion of these proposals, and issuance of the new stock, will result in an increase of Capital Stock of the Republic Bank from $24,000,000 to $27,000,000. Surplus will be increased from $26,000,000 to $33,000,000, making total Capital and Surplus of $60,000,000. Undivided Profits will be approximately $3,000,000, and Reserves for Contingencies $5,000,000, or total capital funds of the Bank of $68,000,000.

Republic National Bank plans to move into its new banking quarters at Pacific, Ervay and Bryan Streets before Dec. 1, 1954. Shortly after Republic's move, it is contemplated that the National City Bank will also move its banking facilities to this location, thereby completing the merger.

Mr. Hoblitzelle and Mr. Florence, now Chairman of the Board and President, respectively of Republic, and all other officers, positions in the Bank. Mr. R. R. Gilbert, Chairman of the Board of National City, will become Vice-Chairman of the Board, and Mr. DeWitt T. Ray, President of National City will become a Senior Vice-President of Republic. All other officers and employees of the National City will be retained in their present capacities at Republic and receive the full benefit of the established

retirement and profit sharing plans now in effect at Republic, as well as all other benefits, on the same basis with Republic personnel. The direction of the merged banks will continue in the hands of the present Board of Directors of Republic.

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A capital expansion plan that would increase the capital stock of the **First National Bank in Dallas, Texas** to $20,000,000, raise its surplus fund to $20,000,000, and add $1,000,000 to the undivided profit account was approved September 1 at a special meeting of the board of directors, which called a special meeting of stockholders for September 21 to consider the proposal.

Ben H. Wooten, First National President, announced that the proposed enlargement of capital structure would give the bank total capital working funds of more than $50,000,000, which in addition to $20,000,000 capital and $20,000,000 surplus would include undivided profits of about $7,500,000 and a reserve of approximately $3,250,000 for contingencies.

The capitalization increase, the second for First National this year, would be accomplished by the issuance of 200,000 additional $10-par common shares at $25 each. The resulting $5,000,000 of new capital funds would be divided $2,000,000 to increase the capital stock of the bank from $18,000,000 to $20,000,000, $2,000,000 to raise the surplus fund from $18,000,000 to $20,000,000, and $1,000,000 added to the undivided profit account.

The new shares will be offered to present shareholders at the rate of one share of new stock for every nine shares of outstanding stock.

If approved at the stockholders' meeting, the new issue will be offered for sale to existing shareholders of record as of 2 p.m. September 21. They would have until 2 p.m. October 6 to exercise their rights.

The capital enlargement proposal follows consolidation of the First National and Dallas National Banks at the close of business Aug. 7, which resulted in an increase in capital stock of First National as of that date from $15,000,000 to $18,000,000 and in the surplus fund from $15,000,000 to $18,000,000.

* * *

American National Bank of Oak Cliff, Dallas, Texas, Dallas, Texas, with common capital stock of $200,000 was converted into a state bank with the title of **"American Bank and Trust Company," Dallas, Texas,** effective August 9.

* * *

The office of the Comptroller of the Currency on Aug. 24 issued a charter to **Citizens First National Bank of Wolf Point, Montana.** The bank has a a capital of $100,000 and a surplus of $100,000. The President is Robert J. Penner and the Cashier K. E. Voss.

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George A. Peachman, Comptroller of **California Bank, Los Angeles, California** has completed his 35th year of service with the Bank.

A native of Cleveland, Ohio, he entered banking in Cleveland in 1911, and joined the staff of California Bank as Auditor in 1919. He was elected Comptroller in 1944.

* * *

Fred S. Hanson, Vice-President, **California Bank, Los Angeles, Calif.,** recently completed his 30th year of service with the bank. He entered banking in 1916 in Elgin, Iowa, and joined the staff of California Bank in 1924.

H. F. Batchelor, Assistant Vice-President of **California Bank, Los Angeles, Calif.,** recently marked his 40th year of service with the bank. He entered banking 45 years ago in Los Angeles and joined the staff of California Bank in 1914. He is assigned to the bank's Federal Office in northeast Los Angeles.

* * *

The Bank of Montreal (San Francisco) is celebrating its 90th year in San Francisco this week, according to A. St. C. Nichol, President of the San Francisco institution.

San Francisco welcomed the **Bank of British North America** to the financial community on Aug. 29, 1864. In subsequent years, the bank's name was twice changed. In 1918, upon the amalgamation of the B. B. N. A. with the Bank of Montreal, it became known as the **British American Bank,** and nine years later, received its present name, the Bank of Montreal (San Francisco).

The bank's first office was located at 410 Montgomery Street. Later, it was transferred to Sansome Street, but that building was destroyed during the 'quake and fire of 1906, and an office subsequently opened for business at 264 California Street. In 1929, the Bank of Montreal moved to its present location at 333 California Street.

The Bank of Montreal (San Francisco) is unlike any of the bank's other offices, which now number over 600 in Canada, the United States and Great Britain. After the amalgamation of the Bank of British North America with the Bank of Montreal, state authorities declined to continue the B. B. N. A.'s charter, which had operated without any special or alloted capital. Authorities required the Bank of Montreal to set up a separate corporation under the state banking laws. This was done, and the British American Bank was incorporated with a capital of $1 million held, except for a few qualifying shares by the head office of the Bank of Montreal. The new organization continued with no outward changes.

In April 1927, the name of the bank become the Bank of Montreal (San Francisco) and it now operates as a local and separate unit, providing full commercial and savings banking facilities.

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The **Seattle-First National Bank, Seattle, Washington,** increased its common capital stock from $14,000,000 to $16,000,000 by a stock dividend effective August 24.

James Martin With R. C. O'Donnell & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — James F. Martin has become associated with R. C. O'Donnell & Co., Penobscot Building, members of the Detroit Stock Exchange. He was formerly Manager of the trading department of the local office of Hudson White & Co.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frank J. English has become affiliated with Shearson, Hammill & Co., 208 South La Salle Street. Mr. English was previously with Talcott, Potter & Co. and Detmer & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to move within the recently established "trading areas" and no important changes are looked for, even though there will be plenty of securities, both corporate and tax-free obligations, available for investors. It is believed that the non-Government securities will be well taken by institutional investors, provided of course they are priced in a realistic manner. The new money raising operation of the Treasury is becoming more important each day as far as the money market is concerned, with the belief not so strong now that a long-term obligation will be part of this undertaking.

The short-term market seems to be establishing an upper level, with rates quite likely to stay around where they are for the time being. Income buyers continue to make purchases of the intermediate and long-term Treasuries, with the smaller commercial banks and public pension funds the important ones in these issues.

Competition From Corporate Market

With what is considered to be a very full calendar of offerings, outside of the Government field, the question arises as to whether or not there will be important selling in the outstanding Treasury obligations in order to pay for the non-Government issues that will be coming into the market. To start with, a fair amount of the corporate obligations which are being put up for sale will be refunding issues, and it is believed that the greater part of the money obtained through the retirement of the old issues will be reinvested in the new securities. On the other hand, there is a sizable amount of new money issues which will have to be absorbed by investors.

It is the latter part of the financing that the money market is mainly concerned with, but recent checks with institutional investors seem to indicate that there will not be any important liquidation of Government obligations in order to make room for the higher yielding corporate securities. It is reported that trust accounts, pension funds and savings banks have sufficient monies available to cover the purchases that they have under consideration in both the corporate and tax-free obligations. Life insurance companies may make some switches from Governments into corporates, but it is indicated that this selling will not be substantial and will be principally in the near-term Treasury issues.

Fire insurance and casualty companies are rather unknown quantities at this time, because some of them have been fairly hard hit by hurricane damage payments and this has taken and will continue to take a great deal of the cash which would have been invested in new issues of corporate and tax-free obligations. Accordingly, it is not indicated that these concerns will be sellers of Treasury issues in an important way, although some of their shortest term Government obligations may not be replaced as they come due.

The smaller out-of-town commercial banks, which are still showing a downtrend in loans, are expected to be buyers of the new corporate and municipal obligations because they have the money to put to work and the maintenance of income is very important to them at this time.

Accordingly, the overall money market picture seems to indicate the large offerings of corporate and tax-free obligations can be absorbed by investors without having any important effect upon the Government market.

Treasury Financing Prospects

On top of the heavy offerings of corporate and municipal obligations comes the question as to what the Treasury will do in the way of a new money raising operation in the not too distant future. Will there be a long-term obligation which would have appeal to non-bank investors and in that way compete with the offerings from private sources as well as mortgages? There seems to be some lessening of the support in the money market for the opinion that some kind of a token offering of long-term Governments will be made when the Treasury comes into the market to raise new money.

On the other hand, there are not a few money market specialists who believe that the bulk, if not all of the new money raising operation of the Treasury, will be made up of securities that will be tailored to meet the needs of the deposit institutions.

Commercial Banks Seek Income

Commercial banks continue to show an important interest in the higher income Government obligations. It is reported that a good deal of the buying which is being done by these institutions is an offset to the decline in loans. Banks in the far west, along with those in the middle west and the south, are reportedly the leaders in these purchases. The 2½% of September, 1967-72, is supposed to be the issue in which these banks have been doing most of their buying.

Scharff & Jones Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Bruce Love has joined the staff of Scharff & Jones, Inc., 219 Carondelet Street.

Kidder, Peabody Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harold C. Fuller has joined the staff of Kidder, Peabody & Co., 75 Federal Street. Mr. Fuller was formerly with Lee Higginson Corp.

With Trusteed Funds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Bayard T. Crane Jr. has joined the staff of Trusteed Funds, Inc., 33 State St. He was formerly with Palmer, Pollacchi & Co.

Joins Barret, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—John M. Buckley has been added to the staff of Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange.

Continued from page 15

Controversies Regarding Monetary Policy

ites" present another major contention, namely, that their policy may help to preserve the independence of the Federal Reserve System. They point out that whereas the present Administration is strongly committed to the proposition that the Federal Reserve should not be subservient to the Treasury, some future Administrations may not be. Therefore, they argue, the present affords an excellent opportunity to establish a firm, definite tradition that the Federal should operate only in Treasury bills and solely for the purpose of regulating the volume of bank reserves. Such a tradition, they maintain, may some day serve as an important bulwark against renewed attempts by the Treasury to undermine the independence of the Reserve System.

Now your "Usuallyite" bows to no man when it comes to defending the independence of the Federal Reserve, but he does question the proposed strategy. He fears that if the Federal establishes a tradition against any stabilizing operations in the government securities market, some future Administration may become irked by such an uncooperative attitude and move in; or the Treasury might simply step up its own stabilizing operations—as indeed it actually did during the spring of 1953.

So, your "Usuallyite" argues, the best way in the long run for the Federal to preserve its independence is to utilize its full powers to help stabilize the economy and also at times to assist the Treasury with its financing operations when this does not interfere with that primary objective. In fact, he contends, if the Federal does remain completely aloof from the long-term market, then the Treasury inevitably becomes the chief manager of conditions in that market.

An Unpublished Report

In addition to these considerations of moentary theory and long-range strategy, there are some vital technical points on which the two schools disagree. The Federal Reserve's prevailing Only-Bills policy grew out of a report to the Open Market Committee by a special subcommittee which had made a comprehensive inquiry into the techniques of the Federal's open market operations. This study, sometimes referred to as the Ad Hoc Committee Report, helped to convince most of the members of the Committee that at times open market operations have been handled in a manner that was detrimental to the development of a broad and resilient government securities market. The best safeguard against the recurrence of such a situation, they have concluded, would be to stick to Treasury bills.

"Usuallyites" reach no such conclusion. They argue that a bit of stabilizating can sometimes help the market rather than harm it. Outsiders who do not have the benefit of studying the unpublished Ad Hoc Committee Report are obviously at a disadvantage in trying to evaluate this rather crucial question.

Will Doctrine Become Enshrined?

It is also hard for outsiders to appraise the difficulties that might be encountered in trying to obtain approval for a departure from the Only-Bills policy. The Open Market Committee has itself pointed out that it can change its policy whenever it may wish to do so and that a meeting could be convened on 24-hours' notice for this purpose if necessary. So, it implies, what reason is there to worry about the present policy?

Plenty, according to the "Usuallyites." There is very real danger, they say, that the Only-Bills doctrine might become enshrined as a permanent norm. Then, as a realistic matter, flexibility and change might become more and more difficult.

It might well be contended, for example, that one of the Federal Reserve's outstanding blunders was its failure to intervene more vigorously in the government bond market during 1930-33. Such intervention might have had a very salutary effect upon the entire bond market and might have helped to prevent many unnecessary bank failures. One of the chief reason for this mistake was the tradition existing at the time against such intervention.

It is certainly not anticipated that this particular type of circumstance will recur, but it is possible that other conditions may arise which might make it desirable for the Federal to intervene in the long-term market. "Usuallyites" are concerned lest the Federal may not act fast enough and often enough in deviating from an Only-Bills policy.

Implications for Interest Rates

It is clear that this controversy may have far reaching implications for interest rates and bond prices. For one thing, the experience of the past year and a half strongly suggests that if the Federal adheres to its present approach to open market operations, prices and yields of government securities may fluctuate much more widely in the future than we have been accustomed to see for a great many years. This may apply particularly to short-term yields.

In addition, some observers are concerned about the Reserve Board's seeming lack of concern about the level of interest rates. They fear that over the years this may tend to permit the development of excessively low rates. Experience indicates that rising interest rates encounter strong political resistance but that declining rates do not. There has not been reassurance from the Federal Reserve authorities that they are fully alive to the importance of preventing credit from becoming too easy.

Moreover, as one criterion for its operations, the Open Market Committee has apparently been giving considerable attention to the volume of member bank "net free reserves"—total excess reserves minus member bank borrowings. One suspects that the Federal may at times aim at buying sufficient Treasury bills to keep the volume of these reserves at some predetermined level.

There is general agreement, of course, that the volume of net free reserves is a significant indicator, but it is certainly not a foolproof criterion for open market policy. Under some circumstances, preoccupation with maintaining a given quantity of net free reserves might conceivably mean pumping more and more reserves into the banking system as rapidly as it can utilize them. This could lead to excessively easy credit conditions.

Finally, "Usuallyites" contend that an Only-Bills policy may involve an unnecessarily large volume of open market operations to achieve the desired effects in the long-term market. Under an easy money policy, this may lead to a greater erosion of rates than necessary, especially short-term rates. The precipitous drop in the Treasury bill rate over the past year is cited as an alarming illustration of this point.

These fears may prove to be groundless or at least exaggerated. This, however, cannot be demonstrated at present on the basis of official Federal Reserve pronouncements. No one expects the Reserve authorities to give definite assurances or even to spell out their policy criteria in detail. Nevertheless, it is a subject of real importance and one on which the public deserves more enlightenment.

Washington vs. New York

There is another significant aspect of this controversy which you will not find mentioned in the minutes of the Open Market Committee. It is well known that there has always existed an element of rivalry between the Reserve Board in Washington and the 12 regional Reserve Banks, particularly the New York Federal. This is inherent in the semi-decentralized structure of the System. It is especially true in the case of open market operations; because while overall policy is decided in Washington, it must be administered in New York.

Now it seems clear that the more rigidly the Open Market Committee prescribes the scope and purposes of open market operations, the greater the power of the Board and the less the power of the New York Federal. This being the case, the problem looks somewhat different from Washington than it does from New York. Thinking among Federal Reserve officials does not divide itself strictly along Board-vs.-Bank, lines, but it may be more than sheer coincidence that the Board favors the Only-Bills doctrine and that the New York Bank advocates a more discretionary approach.

Attitudes of Dealers and Bankers

Other groups, of course, are by no means immune to occupational bias. For example, the freer the market is, the greater the profit opportunities for government security dealers. This may partly explain why some dealers — though not all of them—are "Only-lites"; and this consideration may also influence the attitude of some bankers, especially those who are dealers in government securities.

Many bankers, however, react quite differently. Most bankers have a definite aversion against seeing red figures in their bond portfolios. A free market sounds fine when thought of in terms of free to rise but not when thought of in terms of free to fall out of bed. So, many bankers are none too keen about the free-wheeling bond market of the past year and a half. They would be glad to settle for less theory and more stability. Also, some are concerned about the rapid deterioration of open market rates that has taken place over the past year.

The Best of Both Schools

In considering this controversy, it is assumed by some that the question is to try to decide which school of thought is "right" and which is "wrong." This may not be the most fruitful approach. It may be that neither school has a monopoly of monetary wisdom and that neither is completely wrong.

Actually the two schools may not be as far apart as they seem. Differences of viewpoint are sometimes exaggerated in debate for the sake of making a point. The basic issue here is the question of the extent to which the Federal Reserve should regulate government security prices and yields. In a semi-regulated economy such as ours, one can hardly expect unanimous agreement on the precise degree of public regulation that may be desirable in

a particular sector at a particular time.

For example, one of the chief differences between the two schools comes down to a matter of relative emphasis with respect to objectives. "Onlyites" emphasize the importance of avoiding excessive regulation of the government securities market. "Usuallyites" emphasize the importance of perserving the Federal Reserve's freedom of action to utilize its full powers to promote economic stability. Both of these objectives are surely worthwhile, and they do not need to be mutually exclusive. Should we not therefore try to accomplish both of them?

This suggests that additional study and thinking may be needed to encompass both of these objectives. May it not be possible to devise adequate safeguards against excessive regulation without going to the extreme of the Only-Bills doctrine, and may it not be possible to devise procedures which will make it easier for the Federal to deviate from Treasury bills when circumstances warrant?

These are not easy questions. They can be answered adequately only after careful study by persons who are intimately acquainted with the actual inner workings of the Federal Reserve System.

Future Policy

Monetary management has been in a continuing process of evolution for many years, and there is no reason to assume that this process has suddenly come to an end. From this standpoint alone, one might even venture to predict that there will eventually be some change in the existing Only-Bills philosophy of the Federal Reserve; and since that view is now about as far in the direction of nonintervention as it can be, change seems to be possible only in the general direction of the "Usuallyite" viewpoint.

As a matter of fact, the attitude of the "Onlyites may not be as rigid as is sometimes supposed. After all, they have repeatedly refused to be pinned down as to exactly what circumstances they think would justify deviation from Treasury bills; and they have also maintained that policy could be changed very quickly if circumstances should warrant. During recent years, the Federal authorities have exhibited considerable flexibility in their thinking. If occasions do arise that would justify deviation from their Only-Bills policy, they might well prove sufficiently adaptable to recognize them.

It should also be emphasized that the Reserve Board has not explained its philosophy very fully and that it may differ in important respects from the Only-ite position as it has been presented above. It would be most welcome if the Board would give the public the benefit of more of its thinking regarding these important problems.

The present debate could well prove to be salutary. The controversy a few years ago, over pegging government bonds at par, contributed greatly to public understanding of the general role of monetary policy. The present controversy could perform a similar service with respect to the question of how monetary policy should be operated. It is also to be hoped that it may lead to the formulation of procedures and criteria which are carefully thought out and which will strengthen the effectiveness of monetary policy.

Forms Vegas Brokers

LAS VEGAS, Nev.—Vegas Brokers has been formed with offices at 230 Fremont Street to engage in a securities business. Jack Greenwald is a principal of the firm.

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Banking and the Securities Market

tied up for 90 days to six months. On the other hand, brokers' and dealers' loans are demand loans and payment may be required at any time; therefore, in the past 20 years a rate somewhat under the prime commercial rate has ruled. Right now, the so-called Street money rate is 3%, or the same as the banks' prime commercial rate. There have been times, however, when call money rate has far exceeded the rate for money that is put into the commercial loan portfolio of banks. It is not at all inconceivable that in a tight money market the call loan rate would cross prime commercial rate of banks and be more expensive money even on a day-to-day basis than 90 days or six months money to business. This happened in 1928 and 1929 and has happened before.

Two Schools of Thought on Dealers' Loans

As to dealers' loans, there are two schools of thought. One holds that a lower rate should be accorded to a borrower who puts up the safer and more marketable securities. Accordingly, banks that hold this theory will charge 3% on loans secured by stocks or corporate bonds, etc., while charging a fluctuating rate between ¾ of 1% and 1⅝% on loans secured by governments. This is a perfectly valid theory.

Another school of thought is that rate of interest should vary according to the purpose and term of the loan. In other words, if the dealer requires money to clear his securities, he should be accorded the lowest possible rate. Holding to this philosophy, if a dealer has to pick up securities from the issuer, examine and package them, get the numbers down and generally get them ready for ultimate delivery, the loan is going to be on only for a few days and should be accorded a lower rate than the dealer who says, "I'm going to take these bonds into my inventory and please put the loan on the back of the stove." Banks holding to this latter theory generally will charge 2¾% on what is called a short-term carry, whether the collateral is government bonds or stocks. For the most part, these loans will run or are permitted to run for a week or ten days, and on some arbitrage loans of this character where the arbitrage is to be completed within a reasonable time, the loan might run for a month.

Carrying this still further, the dealer who is going to inventory a new issue or carry it until the market for it comes back, add to his investment portfolio and carry securities on a bank's money, should pay full 3%, or Street rate.

Most of the banks in New York subscribe to the first philosophy; a minority subscribe to the last.

Loans that account perhaps for the largest volume of any category are what is known as syndicate loans. This is a loan that is made not to one dealer alone, but to a whole syndicate of dealers who have allied themselves by agreement to purchase and distribute new issues or already outstanding issues to new owners. The loans are made either jointly or severally. In the first instance every dealer is responsible for the loan jointly with the others, and in the second, each dealer is responsible only for his proportion of the loan. Syndicate loans as such usually do not run for any great length of time. When all of the securities are not sold at the expiration of the syndicate agreement, the loan is paid off and each underwriter takes down his proportion of the unsold securities for his own account, thereupon making arrangements for carrying them individually rather than allied with other dealers.

Financing the Government Bond Dealer

This brings us to a third and sometimes very large field in dealer loans, the financing of the government bond dealer fraternity. Their inventory positions from time to time are extensive, and many of the the downtown banks, being large owners of government securities, feel a responsibility to the government bond market and wish to see the government dealers well financed. Margins are lower to the government bond dealers, ranging from the discount on Treasury bills to two or sometimes three points on long-term government bonds. Rates are low and in this period of "easy money," vary largely with the daily reserve positions of the money market banks. Practicably speaking therefore this means that the "Government Dealer" rate runs somewhat with the rate of Federal funds and for some time now has moved between ¾ of 1% and 1⅝%. The rate fluctuates daily and differs as between banks—one bank lowering its rate to attract loans and another raising the rate to invite pay-offs.

In tight money markets, banks may borrow at the Federal Reserve Bank to lend the government bond dealers at a fraction of a point over the rate that they pay at Federal Reserve Bank or many times at exactly the same rate. The volume of these loans changes from day to day as the dealers' attitude toward the government bond market changes. It may be very high, and has been over $2 billion within the last five or six years; on the other hand, last year the volume of loans to dealers on government bonds had been at times under $150 million in the New York market.

The mechanics of lending dealers either on governments or other securities is substantially the same as lending to brokers. Both borrow under the continuing loan agreement with the banks. Under the Securities and Exchange Act all loans secured by stocks are subject to Regulation U of the Board of Governors of the Federal Reserve System but Regulation U having in mind the dealer business, particularly the dealer loan, makes two specific exceptions to the margin requirements under Section 2. The first and foremost excepts from the regulations any loan to a dealer or a group of dealers to aid in the financing of the distribution of securities to customers not through the medium of a national securities exchange. For the most part this exception covers most dealer loans and permits banks to make whatever margin requirements they see fit with respect to each loan. The other exception under which many dealer loans are made is a temporary advance to finance the purchase or sale of securities for prompt delivery, which advance is to be repaid in the ordinary course of business upon the completion of the transaction This exception is applicable largely to secondaries, to the redistribution of securities previously issued and some part of which the dealer may choose to sell on an organized exchange. As Regulation U only applies to loans secured by stocks, these exceptions are applicable only where the collateral to the dealer loan is stocks. Bonds, debentures, equipment trusts and the like do not come within the purview of these regulations and banks therefore have complete freedom to set their own margin requirements.

Financing the dealer fraternity and the brokers is no longer an outlet for excess reserves; it is not an end in itself but an interim job and its importance lies in facilitating the work of the dealer and the broker. It is an integral and necessary function of banking to assist the dealer to distribute new securities to the investing public, and to finance the broker who is making a market for securities already outstanding.

Iowa Inv. Ass'n to Hold 1954 Field Day

CEDAR RAPIDS, Iowa — The 1954 Field Day of the Iowa Investment Bankers Association will be held at the Cedar Rapids Country Club, Cedar Rapids, Iowa, on Thursday, Sept. 16.

Guests may include anyone engaged in the Investment Securities business.

The Association will sponsor a breakfast Thursday morning, Sept. 16, 8:30 a.m. at Hotel Roosevelt, Cedar Rapids.

The registration fee will be $25 for guests and $20 for members. This fee covers all the essentials; breakfast luncheon, dinner, golf, refreshments, etc.

Reservations should be made with Glenn Ravenscroft, President, Iowa Investment Bankers Association, Ravenscroft and Company, Cedar Rapids, Iowa. Ernest Kosek, Ernest Kosek & Company, is Chairman of the Feld Day Committee.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph O. Wolvin has become affiliated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Continued from first page

Investor's Appraisal of Periodic Stock Dividends

device is sometimes used as a means of accomplishing a stock split involving a substantial reduction in the unit price of the stock. This sort of stock dividend is not a means of distributing earnings, but merely a device for diluting the equity and selling price per share. In the present study, we are not concerned with this kind of stock dividend.

So far as this inquiry is concerned, a stock dividend must meet two requirements in order to be considered as "Periodic Stock Dividend"; there must be something to indicate that the dividend is a recurrent one, perhaps not always in the same amount, but nevertheless, some basis must exist for the belief that the dividend is in fact, periodic; then the market value of the stock dividend plus whatever cash dividend was paid must not exceed the earnings for the year. This latter requirement was set up in order to make sure that the stock dividend represented a distribution of current earnings.

Any dividend, whether cash or stock, serves to reduce the book value of a share of stock on the date of declaration, and normally, the market price on the ex-dividend date. A cash dividend leaves the proportionate interests of stockholders unchanged. But if a stockholder sells his periodic stock dividend, his proportionate interest in the company is necessarily reduced. This fact may lead some to conclude that such a dividend ought not to be considered as income. But corporate distributions can reasonably be considered as income, provided only they are not liquidating in nature. Such a distribution is not of a liquidating nature if the book value of the stockholder's investment is not reduced below the book value at date of purchase.[2] The maintenance of principal does not necessarily require the maintenance of the proportionate interest in the corporation.

Why then have corporations not more widely utilized the periodic stock dividend in distributing corporate earnings? In recent years, most corporations have found it necessary to expand capital structures in order to serve an expanding market and lower costs. Many of them have paid dividends and then sold additional stock to stockholders to obtain funds for expansion. Why this costly and unnecessary shuffling of funds back and forth betwen the corporation and the stockholder? Three possible reasons may be suggested:

(1) The small stock dividend is perhaps thought of as a nuisance both by the corporation and the stockholders. The corporation has to deal with the problem of fractional shares—the usual solution being to set up an agency to buy and sell the fractional shares. The stockholder also must do some "paper work." He has a new stock certificate, but this stock has no tax identity. If the taxpayer's stock was acquired in several blocks, it is necessary for him to recompute the shares held and the unit cost of the various purchases, and establish an adjusted per share cost basis for measuring profit on subsequent sales. While there is nothing essentially complicated about this, it is understandable that stockholders would regard the necessity for these computations as a nuisance, especially in the case of repeated small stock dividends.

(2) Stockholders may in general regard the small periodic stock dividend in the same way they view a stock dividend that is in fact, a stock split. In other words, they may not understand that a periodic stock dividend, when sold, is income rather than return of capital. They may, and probably do, prefer a cash dividend in spite of the tax consequences. Even if stockholders are mistaken in this view, corporate managements would be disposed to give stockholders what they want, especially since the corporate tax is the same in either case.

(3) In the 1920's and 1930's the misuse of the periodic stock dividend gave the device a distinctly bad odor. This misuse involved the declaration of small stock dividends, the market value of which was substantially in excess of current earnings. Such a dividend was only in part a recognition of earnings, and was in part a mere dilution of equity. But stockholders came to regard such dividends as essentially income. The North American Company, for example, paid regularly a 2½% quarterly stock dividend and thus, the apparent yield on the stock was always 10% regardless of the market price of North American. But the market price of one-tenth of a share of North American was substantially greater than annual earnings. Current financial and accounting practice requires that, in recording stock dividends, due recognition be given to the market value of stock, and recurrence of these abuses is most unlikely. Nevertheless, the memory of such abuses may have served to limit the legitimate use of the periodic stock dividend.

Benjamin Graham in two articles in "Barron's"[3] in August, 1953 argued for the proper use of periodic stock dividends. He pointed out that corporations which need large sums for capital development are confronted by two undesirable alternatives. They may pay small dividends and conserve cash for expansion needs. In this case, the stockholder will be denied an adequate return and the market value of the stock will not fully reflect the earnings.[4] The other alternative is for the corporation to pay generous cash dividends and then sell additional stock (usually to stockholders) to secure funds for expansion. But here, Mr. Graham pointed out, the stockholder may be no better off. He will pay a high income tax on the dividend income, and if he then subscribes to the new stock, he will be just where he was before, minus the tax.

Mr. Graham also pointed out that the use of the periodic stock dividend was in no sense to be considered as a tax evasion device. It is tax evasion if a corporation retains earnings not needed in the business in order to reduce the personal income tax on stockholders. But corporate earnings actually needed in the business are properly subject only to the corporate tax. Graham pointed out further that "if an expanding business pays out cash dividends and then takes the equivalent money back from its stockholders for new stock, it is going out of its way to subject the profits to double taxation."

He urged the wider use of the periodic stock dividend in place of cash dividends for expanding corporations. He did, however, offer some further suggestions designed to prevent misuse of the periodic stock dividend and to make its use more effective. These included:

(1) In order to prevent deception of stockholders the market value of the stock dividend should not exceed earnings;

(2) The financial press should be persuaded to adopt the practice of showing the dividend in terms of the annual value of both cash and stock, rather than to simply show the cash dividend with a footnote saying "Plus Stock";

(3) Steps should be taken to insure that periodic stock dividends received by trustees should be regarded as distributable income, rather than as an addition to the corpus of the trust;

(4) In instituting a policy of periodic stock dividends, a corporation should make clear, and in advance, that some regularity in the payment of stock dividends is intended. Moreover, the announcement of a dividend should, if possible, be stated in terms of an annual rate, including both cash and stock, taken at market value.

Investor View of Small Stock Dividends

Mr. Graham believed that the chief deterrent to the wider use of the periodic stock dividend is "the present state of investors' thinking on the matter of dividends." The illustration cited was that of Caterpillar Tractor Company, which in June, 1953 cut the quarterly cash dividend from 75 to 50 cents, but at the same time declared a stock dividend of 4% with an appropriate explanation that the stock dividend represented earnings retained for use in the business. But the stock nevertheless declined a full 10% following the announcement, although Graham noted, this decline was in a generally weak market.

Purpose of This Study

The purpose of this present study is to assemble and review such tangible evidence as can be found bearing on investor appraisal of periodic stock dividends. It appears likely that investor attitude toward small stock dividends is not a fixed and immutable thing. Certainly in the late 1920's investors must have taken a more favorable view than the present one. It is equally important to note that investor attitude may change in the future. Ideas are potent things and these two articles by Mr. Graham have undoubtedly had some impact upon investor thinking and upon the thinking of corporate managements.

Methods Used

The task set here is essentially that of studying human behavior. Human behavior can perhaps be studied in three different ways. Under some circumstances men can be placed in an experimental situation and their behavior observed. This is the method of many investigations in Psychology and if the problem of experimental design can be solved, the method may yield reliable results. It does not seem appropriate here. Another method is that of the questionnaire. The difficulty here is no one can be sure of really honest answers, because men may not really respond to stimuli as they may quite honestly believe they would. The method used

[2] It should perhaps be noted that a corporate distribution that is income to one stockholder is not necessarily income to another stockholder. An ordinary cash dividend is income to a long time holder, but it is not income to the stockholder who bought the stock the day before the ex-dividend date. In both cases, however, the dividend would be taxable income to the stockholder.

[3] Stock Dividends, Aug. 3, 1953 and Aug. 10, 1953.

[4] Earnings paid out in cash dividends exert a greater influence on stock prices than earnings retained. See O. K. Burrell, "Dividends vs. Retained Earnings As a Market Force," in "Commercial and Financial Chronicle," Aug. 21, 1952. See also Oscar Harkany, "The Relation Between Retained Earnings and Common Stock Prices for Large Listed Corporations," in "Journal of Finance," September, 1953. Also Hugh Pastoriza, "Valuing Utility Earnings Distributed and Retained," in "Analysts Journal," July, 1945. Harold H. Young, "Factors Influencing Utility Price-Earnings Ratios," in "Analysts Journal," Spring, 1946.

TABLE I

Prices, Dividends, Earnings and Yields of Paired Stocks Paying Periodic Stock Dividends and Paying Cash Dividends Only

	Fitch Rating	Price Feb. 1 1954	Dividends, 1953 Cash	Dividends, 1953 Stock	Dividend Total Value	Earned 1953	Dividend Yield Cash Only	Dividend Yield Cash & Stock	Payout Cash Only	Ratio Cash & Stock	Price Earnings Ratio
Periodic Stock Dividend Group											
1. Gulf Oil	BB	48⅞	$2.00	4.0%	$3.96	$7.13	4.1%	8.1%	28.0	55.5	6.9
2. Grand Union Company	B	34⅞	1.00	5.0	2.75	3.00	2.9	7.8	33.3	91.6	11.6
3. Food Fair Stores	CCC	33⅛	0.60	3.0	1.59	1.86	1.8	4.8	32.2	85.4	17.8
4. Plymouth Oil	B	27⅜	1.60	1.5	2.01	3.80	5.8	7.3	42.1	52.8	7.2
5. Ruberoid Company	BB	62¼	3.50	5.0	6.60	6.67	5.6	10.6	52.5	98.9	9.3
6. Lane Bryant	B	15⅞	1.00	5.0	1.80	2.25	6.3	11.3	44.4	80.0	7.1
7. Colgate Palmolive	BB	42.00	2.00	5.0	4.10	5.02	4.7	9.7	39.8	81.6	8.4
8. Fedders Quigan Corporation	B	14⅝		8.0	1.20	1.20		8.0		100.0	12.2
9. Citizens Utilities	CCC	16⅜	0.40	3.0	0.89	0.98	2.4	5.4	40.8	90.8	16.7
10. Dow Chemical	BB	34½	1.00	2.5	1.86	1.58	2.9	5.4	63.2	117.7	21.8
							‡4.05%	‡7.84%	‡42.9%	‡85.4%	‡11.9%
Cash Dividend Group											
1. Standard Oil of California	BB	56⅝	3.00		3.00	6.61	5.3%		45.3		8.6
2. Winn and Lovett Grocery	B	34	1.26		1.26	2.34	3.9		53,9		14.5
3. American Stores Company	B	46⅞	2.00		2.00	5.25	4.3		38.0		8.9
4. Pure Oil Company	B	54⅝	2.50		2.50	5.75	4.6		43.4		9.5
5. Flintoke Company	B	28¾	2.50		2.50	3.73	8.6		67.0		7.7
6. Lerner Stores Corporation	B	19½	1.50		1.50	2.00	7.7		75.[illegible]		9.7
7. Procter and Gamble Company	BBB	70.00	2.60		2.60	4.35	3.7		59.7		16.1
8. Houdaille-Hershey	B	14⅞	1.50		1.50	3.27	10.5		4.58		4.5
9. Central Vermont Pub. Service	CCC	15¾	0.84		0.84	0.88	5.3		95.4		17.9
10. American Cyanamid	BB	45%	2.00		2.00	3.30	4.4		60.6		13.9
							5.83%		5.84		11.1

NOTE—Earnings are those indicated about February, 1954 and do not reflect final adjusted earnings.
‡Averages (cash dividend yield includes 9 stocks only).

TABLE II

Relative Price Behavior of Stocks Following Declaration of Periodic Stock Dividend With Reduction or Omission of Cash Dividend

	Stock Dividend	**Date of Declaration	Price Day Before Declaration Date	Price 30 Days After Declaration	Price 60 Days After Declaration	Percent Change 30 Days	Percent Change 60 Days
1. Colorado Fuel and Iron	2½%	2-24-54	17⅜	15½	16⅝	—10.5	— 4.3
Pair-Jones and Laughlin Steel*			21½	23	23¼	+ 7.0	+ 8.1
2. Tidewater Associated Oil	5%	4-29-54	21⅞	21⅞	19.00	0.0	—13.1
Pair-Sinclair Oil*			41⅛	43¼	42.00	+ 4.9	+ 2.1
3. Caterpillar Tractor	4%	6-1-53	59⅞	51⅛	51½	—14.6	—14.0
Pair-Allis Chalmers*			53½	50	48½	— 6.5	— 9.3
4. Fansteel Metallurgical	5%	11-15-51	27½	27	28¼	— 1.8	+ 2.7
Pair-Allegheny Ludlum Steel*			47	48	46¼	+ 2.1	— 1.6
5. Colgate Palmolive	5%	12-7-50	47½	48¼	53¾	+ 1.6	+14.2
Pair-Procter & Gamble*			68⅜	74⅝	73¼	+ 9.1	+ 7.1
6. Fedders Quigan	2%	10-14-52	13¾	13⅝	15½	0.0	+12.7
Pair-Houdaille Hershey*			13	13¾	13¼	+ 5.7	+ 2.0

*Price of paired stocks as of same dates as stock dividend stocks.
**These declaration dates are the first declaration of a stock dividend accompanied by reduction or omission of usual cash dividend.

here is that of observation of market prices in relation to other relevant data that constitute the tracks left by economic man in the market place. From these data reliable inferences may be made concerning the economic behavior that produced the observed data.

In order to be somewhat more specific, the data assembled here relating to investor appraisal of periodic stock dividends is included in two tables. Table 1 shows earnings, prices (as of Feb. 1, 1954), and dividend yields, for two groups of stocks. The first of these groups are stocks that pay a small stock dividend with some degree of regularity. With only a single exception, these stocks pay a cash dividend and a stock dividend. In every case, except one, the share earnings for 1953 were in excess of the cash dividend plus the market value (on Feb. 1, 1954) of the stock dividend. The second group of stocks pay only a cash dividend and these stocks were selected on the basis of pairing with the stocks in the stock dividend group. The objective was to set up two groups of stocks with dividend policy as the only essential difference between the two groups. The groups are not large because it is considered to be more important to have good pairs than to have a large sample.

Table 2 shows data relating to the price movement of stocks subsequent to the first declaration of a periodic stock dividend where the stock dividend was in lieu of all or part of a cash dividend. What we are interested in here is differential price behavior rather than absolute movement. Using Mr. Graham's illustration, Caterpillar Tractor common stock declined about 14% in a short period following the declaration of a stock dividend in June, 1953. But this absolute movement does not prove that Caterpillar stockholders dislike this periodic stock dividend. Because the decline occurred in a generally weak market, we can reasonably infer Caterpillar stockholders dislike periodic stock dividends only if the stock of Caterpillar fell subsequent to the declaration, while similar stocks showed either increases or lesser decreases. As indicated in Table 2, the stock of Allis Chalmers in the same period showed a decline that was substantial but less than the drop in Caterpillar.

How Much Are Periodic Stock Dividends Worth

Table 1 indicates rather clearly that investors do like periodic stock dividends, but that they like cash dividends even better. The periodic stock dividend group sold at a somewhat higher multiple of earnings (11.9 against 11.1), and at a price at which the cash dividend amounted to only a little more than 4% as compared with nearly a 6% return on the cash dividend group. Since the two groups were equal in all essential respects except dividend policy, we may assume that the stock dividend enabled that group to sell somewhat higher, both as measured by earnings, and by dividend yield.

But the data in Table 1 indicates just as clearly that periodic stock dividends are not valued as highly as are cash dividends; the combined cash and stock dividends afforded a yield of nearly 8% as compared with a yield of a little under 6% for the cash dividend group. These two groups of stocks were paired for quality and hence if periodic stock dividends were really considered as equal to cash dividends the dividend yields would be nearly equal. This conclusion is reinforced by the fact that the earnings payout ratio (including both cash and stock) was materially higher for the stock dividend group than for the cash dividend group. Since it has been demonstrated that earnings paid out are worth more in market price than earnings retained,[4] it is evident that the stock dividend group would have sold on a lower total yield basis than the cash dividend group, if investors had valued stock dividends as highly as cash.

But the data in Table 1 does not provide a clear answer as to the relative worth of periodic stock dividends and cash dividends. Such stock dividends have some impact on stock valuation, but not as much as cash dividends. But are stock dividends (taken at market) worth half as much as the same amount in cash divdineds; or are they only worth one-fourth as much? Although, our data provide no direct answer, we can perhaps develop a reasonable hypothesis from the data and from assumptions that may reasonably be made. But the result of such an excursion into philosophy and arithmetic must not be regarded as ultimate truth, but only as a rational guess.

In this appraisal of the relative value of the periodic stock dividend, it is useful to set up two hypothetical stocks representing a composite periodic stock dividend stock and a composite cash dividend stock. In order to facilitate comparison, we postulate that each of these stocks has earnings of $10 per share. The market prices and dividends in the following illustration are based on the averages from Table 1.

	Stock A Periodic Stk. Div.	Stock B Cash Div.
Earned per share	$10.00	$10.00
Market price (based on average P/E ratios)	119.00	111.00
Cash dividend (average cash yields x market prices)	4.82	6.46
Stock dividend at market value (7.84% — 4.05% x 119)	4.51	

It is necessary here to make an assumption, or alternate assumptions, concerning the relation generally of earnings payout ratios and stock prices.[5] In the above computation it is clear that Company A, by payment of a periodic stock divdend worth $4.51 was able to accomplish two ends. These were (1), to keep the cash payout $1.64 below the cash dividend of Company B, and (2), to keep the price of Stock A $8.00 higher than stock B.

Based on other studies[4] it seems reasonable to assume that in general earnings paid out are worth 1½ to 4 times as much as earnings retained. If we assume that earnings paid out are worth 1½ times as much as earnings retained, the following computations would develop an estimate of the relative impact of small stock dividends and cash dividends.

(A) Stocks A and B are postulated to be alike except for dividends paid, and the price difference is postulated to be due to the difference in dividends.

(B) If Stock B had paid no dividends it would have required earnings of $13.23 instead of $10.00 to support the price of $111.

$6.46 x 1½ + ($10.00 — $6.46)

(C) The price earnings ratio for either Stock A or Stock B, when all earnings are retained, and there are no dividends of any kind would be $111 divided by $13.23 or $8.39.

(D) The price of Stock A, if it had paid the cash dividend it did pay, but had paid no stock dividend at all, would have been $104.12:

8.39 ($4.82 x 1½ + [$10.00 — $4.82])

(E) Since the price of stock A was $119.00 it is evident that the payment of a stock dividend worth $4.51 produced additional stock value of $14.88 ($119.00 minus $104.12). This amounts to $3.30 in added valuation for each dollar of stock dividend.

(F) But each dollar of earning shifted from earned surplus to cash dividends adds $4.20 in stock valuation 1½ — 1 (8.39).

(G) Therefore, a periodic stock dividend has only 78% of the impact on stock value of a comparable cash dividend ($3.30—$4.20).

While this reasoning may appear somewhat "fine spun," doubts concerning the validity of the conclusions are really doubts concerning the adequacy of the sample, the accuracy of the pairing, or the estimate of the influence of the payout ratio. No claim can be made that the sample is adequate or that the pairing was perfect. It would be difficult to enlarge the sample because relatively few companies use the periodic stock dividend, and because of the difficulty of finding essentially similar stocks to complete pairs. So far as the estimate of the influence of the payout ratio is concerned, it is possible to present conclusions based on alternative assumptions.

The following estimates of the relative value of stock dividends and cash dividends are based on the same analysis, but alternative assumptions concerning the relative value of earnings distributed and retained.

Values of earnings distributed in relation to earns. retained	Value of periodic stk. div. in relation to value of cash div.
1.5 times	78%
2.0 "	66%
3.0 "	54%
4.0 "	51%

Investor Reaction to a Shift From Cash to Stock Dividend

The data in Table 2 measure investor's immediate response to the declaration of a stock dividend, partially or wholly in lieu of a cash dividend. The evidence here is not inconsistent with that discussed above. In every case the stock dividend stock performed worse than its pair in the 30 days following the declaration of the stock dividend. But by the end of 60 days, investors had regained perspective, and in three of the six cases, the stock dividend stock had outperformed their pairs.

Possibility of Varying Values of Periodic Stock Dividends

The conclusion here, so far as any conclusion is justified by the sample, is that investors like periodic stock dividends less well than they like cash dividends. The precise measurement of the relative value of stock and cash dividends depends to a significant degree upon appraisal or measurement of the influence of cash payout ratios on stock valuation. While much work remains to be done concerning the relations of earnings, dividends, payout ratios and stock prices, there are plausible reasons for supposing that the impact of payout ratios may vary with different stock groups, and perhaps with time. If this is true, then the value of periodic dividends would vary accordingly. While no evidence can be offered, the possibility is suggested that such stock dividends are worth more, and are more readily acceptable by investors in the case of those companies that have demonstrated strong growth characteristics. There is also reason to believe that the payout ratio is less important and the stock dividend relatively more valuable in periods of high and rising stock prices than when security prices are declining or low.

Summary and Conclusion

This study has been concerned with the measurement of investor attitude toward periodic stock dividends. If the evidence is adequate and the analysis sound, it appears that investors like such stock dividends better than no dividends, but not as well as cash dividends. To be somewhat more specific the data here suggest that investor's valuation of periodic stock dividends ranges from perhaps 50% to 75% of their valuation of cash dividends.

We have not been concerned with what ought to be investor attitude toward small stock dividends. Perhaps investor distrust of such stock dividends is based on lack of understanding; perhaps this distrust is justified on the basis of the unreality of so-called earnings that cannot be distributed. Certainly the orthodox accounting view of the purpose of depreciation accounting tends toward income overstatement. But all this is quite another story.

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5 If it be assumed that the payout ratio is not related to security valuation and that earnings retained have as great an impact on price as earnings distributed, then, of course, periodic stock dividends and cash dividends would be equal in that neither would have any influence on price. If this assumption were valid the differences in yields and price earnings ratios between the two groups of stocks in the sample would be either accidental or merely the result of imperfect pairing.

Securities Salesman's Corner

By JOHN DUTTON

In Behalf of Low-Priced Speculative Common Stocks

Low priced, speculative common stocks can be used to great advantage in building a clientele. There has been much needless criticism of speculative securities that has usually been based upon the false assumption that since some speculative securities eventually become worthless, or decline greatly in value, a conservative investment firm should avoid all stocks in this class as you would the plague. Actually, it is a proven fact that many alert security dealers and salesman have opened some of their most profitable investment accounts by making the first sale of a "speculative low-priced stock," and then following the account intelligently after the first transaction has been completed.

It is sometimes surprising to those who have not had the experience to see the results from advertising that offers some attractive low-priced speculation. Possibly it is the desire in most of us to have a little fling once in a while that will prompt the president of a bank to buy a few hundred shares of some one or two dollar stock—especially if it is a local venture where he may know one or more of the principals. Investors in the true sense of the word, those with substantial portfolios of municipal bonds, preferreds and a well diversified list of common stocks, will sometimes pick up a few hundred shares of some low priced speculative common stock in answer to an advertisement in the paper, or on the tip of a friend at the club. The salesman that obtains this first order oftentimes has a ready-made entree to this account if he handles the situation properly.

There Are Pitfalls

Each investor has to be handled individually. Some people will resent telephone or direct mail solicitations of further offerings after the first sale of a speculative stock has been made through an ad or because of radiation. The best policy is to follow the order carefully by keeping the purchaser advised of any new developments concerning his venture. Sometimes after a period of several months it is possible to arrange a meeting to discuss other securities but this should only be attempted after a more solid relationship has been established either by mail or by telephone. By being alert, a competent salesman can find opportunities for servicing this type of account, either through his willingness to supply other information that might be of interest to the customer, or by submitting suggestions of some similar speculative opportunities from time to time.

The difficulty that sometimes arises when speculative stocks go to pot is usually due to a lack of discrimination in selection. Although it is possibly more difficult to select attractive low-priced stocks than some of the so-called blue chips, I believe that if a security salesman is careful and persistently culls out situations that in his own mind are of doubtful character, that from time to time he can place this type of security among some of his accounts without much more fear of making a bad mistake than if he eliminated them entirely. There are certain rules that apply to the selection of any security that you may wish to recommend to your clients. No speculative stock should be offered that does not measure up to these tests:

Company has honest and able management.

Makes a product or offers a service that has an existing demand, or one that can be created.

Sufficient capital, and access to more, to accomplish its objectives.

Priced to represent a good value.

There are many low priced speculations that are consistently neglected. With a little sponsorship, they can blossom forth marketwise, and therein lies an opportunity for many investment dealers, especially those who have a desire to investigate the local companies in their own communities.

St. Simeon Uranium Offering Completed

Philip Gordon & Co., Inc., of New York City, recently announced the completion of the sale of 1,000,000 shares of St. Simeon Uranium Corp. common stock. These shares were first offered on July 13 in units of 100 shares at $22.50 per unit.

The net proceeds are to be used to pay for diamond drilling, exploration expenses, machinery and equipment and for other corporate purposes.

St. Simeon is engaged in the exploration of uranium deposits on 7,456 acres (94 claims or lots) of mining properties. The company was incorporated in Quebec, Canada, on Feb. 7, 1950.

With Lloyd E. Canady

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—John E. Crow has become affiliated with Lloyd E. Canady & Company, Commercial Bank Building. He was formerly with Oscar Burnett & Co., Inc.

Clair S. Hall Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — James E. Gunning, Sr. has been added to the staff of Clair S. Hall & Company, Union Trust Building.

PERSONAL PROGRESS

C. U. Carruth, Jr.

CLARENCE U. CARRUTH, Jr., member of the law firm of Curtis, Mallet-Prevost, Cole & Mosle and a member of the International Law Committee of the Association of the Bar in the City of New York has been elected a director of Natural Resources Fund, Inc. and Natural Resoures of Canada Fund, Inc., Frank L. Valenta, President, announced.

Mr. Carruth, a resident of Scarsdale, N. Y., served on Governor Dewey's Temporary State Commission to study the use of TV for educational purposes.

He is also chairman of the subcommittee of diplomatic affairs of the Association of the Bar in the City of New York.

He is a trustee and elder of the Broadway Presbyterian Church, New York City and a member of the Board of Managers of The New York Bible Society.

Mutual Funds

By ROBERT R. RICH

New Income Fund To Be Offered

The "house-afire" sales records of "income mutual funds" these past months have made it a certainty that mutual fund sponsors—currently without income funds—would move into the picture by starting their own, a simple case of the industry supply curve shifting to the right to compensate for a shift in the investors' demand curve.

The Parker Corporation, sponsor of Incorporated Investors, is the first to make the move, it is reliably reported, with registration of Incorporated Income Fund scheduled for mid-September, and with offering in mid-October by a nationwide underwriting group led by Kidder, Peabody & Co. The offering will be between 750,000 and one million shares at an expected price of $8 per share.

As is true with the other "kick-off" underwritings of mutual funds, Incorporated Income Fund will be brought into the world as a closed-end investment company.

The unique feature in the underwriting of this Fund is that the "open-ending" after the underwriting account is terminated, will be for share redemption only. No new shares will be sold until after the first ex-dividend date, when the fund will be more or less fully invested.

Whether this temporary tightening of the supply of shares in an income fund which might pay out 5%-6% will create a "premium price" in the over-the-counter market is currently a subject of speculation among underwriting technicians.

Other income funds, or mutual funds stressing income, now being offered by dealers include Value Line Income Fund, various funds in the National Securities Series, and Group Securities Common Stock Fund.

GROSS SALES in August of Wellington Fund amounted to $4,172,800, up 12% over a year ago and largest for any August in the Fund's 25-year history, A. J. Wilkins, Vice-President, reported Tuesday.

Gross sales of the Fund for the first eight months of 1954 totaled $40,863,600, and also were the largest for any comparable period. They represented an increase of 11.3% over the like period of 1953.

SALES OF the National Securities Series of mutual funds during August totaled $3,369,686, a new record for the month and 26% ahead of the volume for August last year, according to E. Waln Hare, Vice-President of National Securities & Research Corporation.

For the first eight months of this year sales volume also established a new high at $35,733,793, up 16% from the corresponding period of 1953. Total net assets of the National Securities Series exceeded $181,000,000 on Aug. 31.

ASSETS OF The Colonial Fund, Inc. were in excess of $19,500,000 on July 31, according to the recently-issued Quarterly Report.

James H. Orr, President of the Fund, reported that during the three months ended July 31, net assets increased by approximately $4,300,000 partly from market appreciation of investments, but in greater part from net sales of shares, including 335,002 shares sold through a group of investment bankers in June. At that time, the Fund became an open-end investment company. It is now in its 50th anniversary year of investment management.

Common stocks are prominent in the portfolio and at July 31 represented 81.5% of net assets available for investment. Approximately 60% was in common stocks of utilities, oils, chemicals and drugs and machinery and steel.

Fund Executive Sees Prosperity For A Decade

States Market Level Is Far Behind 'Average'; Dow at 582 Necessary to Equal '29 Relationships.

"The rolling recession has bottomed out and our comprehensive research suggests the high probability that during the first half of 1954 we witnessed the low point in national production and stock prices for the next decade." This view was expressed Tuesday by Harold X. Schreder, Executive Vice-President of Group Securities, speaking at the Vermont-New Hampshire School of Banking, held in the Amos Tuck School of Business Administration, Dartmouth College.

Mr. Schreder pointed out that back in 1950-51 serious adjustments began in the three basic price areas of our economy—in commodity prices, in bond prices, and in stock prices.

"By late 1953," he said, "historically severe corrections in these three basic areas had taken place. Now in 1954, stable to rising prices in these three basic financial areas is the sound order of the day.

"A combination of easy money, tax relief, huge personal and corporate savings, rising corporate earnings and record dividends, strong institutional demand for securities, and above all, widespread confidence" — these were cited by Mr. Schreder as the principal reasons for the improvement in the nation's business and securities markets.

"Add to these factors the dynamic benefits of our rapidly growing population, the large replacement demand for consumer-durable goods, indicated increases in capital investment and construction expenditures along with vast technological developments, and you have the basic elements of a bright economic future, indeed; continued sound monetary policy is all that is needed," Mr. Schreder said.

In discussing the stock market Mr. Schreder emphasized, however, that "During the next few months, choppy, reactionary market action in the 'Average' may be expected, possibly a decline of as much as 10%, but, thereafter the great majority of stocks should reach surprisingly higher prices.

"Our analysis shows clearly that the change in investor preference from stable-defensive type securities to more dynamic issues, which began last fall, is now unfolding in an orthodox 'bull market' fashion.

"The market as a whole is far behind the 'Average.' With the Dow-Jones Industrial Average at around 350 recently, an analysis of all common stocks on the New York Stock Exchange revealed that the average stock is selling only moderately above its 1946 level when the Dow-Jones Industrial Average stood at 212.

"Thus," Mr. Schreder continued, "not only is the average stock in the market much lower priced than the 'Average' indicates but even if today's earnings, dividends and assets of the Dow-Jones stocks were valued as they were at their 1929 peak, this stock 'Average' would be 582 currently."

DELAWARE FUND reported August gross sales for the month were $441,467—up 21% over the like month last year.

For the first eight months, sales amounted to $3,121,863 for an increase of 24% over the corresponding period of 1954.

THE AXE-HOUGHTON weekly business index advanced slightly during the last three weeks. Electric power production, miscellaneous loadings, and lumber production have advanced moderately, but steel and automobile production decreased, so that there has been only a slight increase in the combined index.

Manufacturers' new orders, seasonally adjusted, declined from a May 1953 peak of $25.9 billion to $20.7 billion in January 1954, and recovered to $22.9 billion in June. In July they declined to $22.6 billion. Even in June less than half the previous recession had been recovered.

Throughout this recovery, moreover, incoming orders have been less than factory shipments, so that unfilled orders have been declining continuously, according to the Department of Commerce.

The broad group of industries which the Commerce Department calls transportation equipment still had $20 billion of unfilled orders on June 30, Axe notes. At the recent rate of decline, they will not reach the pre-Korean level until the end of 1956. These orders consist mainly of uncompleted contracts for aircraft, aircraft engines, and parts, which amounted to $16 billion on March 31. The other branches of the transportation equipment industry have already filled most of their outstanding orders.

Electrical Equipment

The second largest group is electrical equipment, unfilled orders for which continued to increase after unfilled transportation equipment orders began to recede. They reached a peak on July 31, 1953, and at the recent rate of decline will not reach the pre-Korean level until December 1955.

The third largest group is machinery, unfilled orders for which began to decline in March 1952. At the recent rate of decline the pre-Korean level will be reached by the end of next March.

Inventories

Manufacturers' inventories on the other hand have been declining, so that, with purchasing power being maintained by high and advancing wage rates in the industries that are still active on their remaining backlogs and new orders, the expectation would be that sooner or later the manufacturers of automobiles and other consumers' durable goods will be back in the market for steel and other raw materials and semi-finished goods; but it is not clear just when this point will be reached. Total manufacturers' inventories are still relatively high, as shown by the following comparison:

Manufacturers' Unfilled Orders and Inventories
(000,000,000)

	Jan. 31, 1953	July 31, 1954
Unfilled orders	$76.2	$48.4
Inventories	44.3	44.2
Difference	$31.9	$4.2

The inventory situation varies, however, from industry to industry, so that the totals for all manufacturers do not tell much except to show that the outlook is obviously less favorable today than it was on Jan. 31, 1953, when the peak of the spread between unfilled orders and inventories was reached. High inventories in the aircraft and electrical machinery industries, for example, are necessary for the completion of high unfilled orders.

It would seem probable, however, that the remaining high backlogs in the industries and companies that have them would be sufficient to maintain a generally high level of business activity until inventory adjustments are completed in industries and companies that don't have them, Axe states. They should, at any rate, tend to prevent the development of any severe decline in business activity for some little time to come.

Continued from page 5

The Television Art Progresses

design and performance. At the same time we will demonstrate a new color receiver embodying major simplifications in circuitry. These permit significant reductions in production costs, which will be passed on to the consumer. We believe that this color receiver will have enthusiastic public acceptance, and that it will provide the basis for volume production. Shortly after this demonstration is made to our licensees, customers and the press, we shall be able to be more informative than I can be today about prices, delivery dates, etc.

By early 1955, I hope and expect that there will be active competition in production and sales of color receivers so that the public will have a variety from which to choose. Then I believe you will begin to see a real market developing and color set circulation progressively expanding. With rising circulation, there will be increasing advertiser interest in color shows, and with more sponsored color programming, circulation will expand further. That will be the beginning of the same sort of continuing spiral which black-and-white television experienced over the past five years. And NBC and its affiliates can be way out in front in color as in black-and-white.

The pump is now primed for the rapid growth of color television, and the machinery is about to go to work. I feel that the prospects for color TV are even brighter than they were for black-and-white at its beginning. We all know how black-and-white set sales outstripped the most optimistic predictions on the subject. Recently it was estimated that 10 million color sets will be produced and sold by 1959. But when that time arrives we may find that color set sales have exceeded this estimate. We may then see once more that the vitality of the medium exceeds the imagination of its prophets.

Color television broadcasting is a creation of private enterprise and economic support will be required for its continued development. Where is this economic support coming from? Well, we know that total advertising expenditure has been rising from year to year, and from its beginning, television has obtained an ever-increasing share if this expenditure. With color, television will do an even more complete job for the advertiser. It can become the basis for every major advertising effort for almost all consumer goods. As such it will attract a much larger share of advertising expenditure than ever before.

The potential is there. But we must keep our eye on what it takes to translate it into revenue. Color television broadcasting could not have got off the ground without a strong network organization ready to take on the job. Black-and-white television, and radio broadcasting before it, would never have gained their great public acceptance and advertising support if they had not grown up around the networking principle, and all that is included in its national program service. If this principle is jeopardized, if networks are weakened in the administration of their business, the whole broadcasting structure as we know it is endangered.

The Networking Principle

I do not for a moment belittle the role of local programming, which fills such an essential role in our system. But I think you will agree that broadcasting became important when national networking was established — when people throughout the country could turn on their sets and receive great entertainment and public events and the news and information services far beyond the resources of any individual station.

That was true in radio, and it is even more true in television, which has spread across the country because people want to see the famous entertainment personalities, the musical reviews and dramas, the great sporting events, the Conventions and the Coronation, the news as it happens, and the President when he speaks to the nation.

With these network presentations as a base, a national audience was developed. And with such an audience in being, a powerful new sales medium was created. Advertisers could turn to a network, and in one transaction, buy the daily or weekly attention of millions of customers for their sales message. These advertising revenues flowed back to the affiliated stations to help support their operations and to the networks for further development of their services.

Because we have networks, we have available at all times the facilities for instantaneous, simultaneous national communications. These facilities are a great national asset. They provide the only means whereby the leadership of our country can instantly reach all of the people in times of national emergency. Without a continuing live network operation to support them, I do not know how these nationwide interconnections would be maintained.

These are the unique values which the network system offers. It gives the public an entertainment and information service which could not be paralleled by any other system I can think of. It gives American business a national advertising medium so effective that it has spurred the whole economy. It has built a base for the operation of hundreds of stations—because without network services, you may be sure there would be far fewer stations and they would be less profitable. It keeps in readiness a national communications facility for public purposes as needed.

If networks did not exist, they would have to be invented. Certainly there are other means of distributing programs. But with distribution confined to the mailing of tapes or films, what provision would be made for live transmission of news and important public events? Who would underwrite the cost of maintaining interconnections throughout the country on a permanent ready-to-serve basis? What central agency would deliver the simultaneous nationwide circulation which national advertisers can buy from networks? And who would take on the responsibility for creating the cultural and informational programs which networks develop and offer on a sustaining basis?

The Business Aspects of Networking

Networking is not only a service to the public. It is a business, based on the free play of competition and operated for a profit. The strength of a network's service depends on its strength and prosperity as a business operation. And it is a very complicated operation, which has been evolved through a process of practical adjustment among the number of interests involved — networks, stations, sponsors, advertising and talent agencies, artists and performers, labor unions and others.

As a competitive advertising medium, a network must provide the largest circulation at the most economical cost. To do this, it must be free to select and bargain for affiliations and clearances in the markets where it needs coverage, and with stations which best meet its requirements. It must be able to fix the price of the national circulation package it has the responsibility of selling.

A network must also retain the responsibility for controlling its program structure. To maintain its overall service and its competitive circulation position, it must be able to select the programs it will present and remove or shift them when they weaken the schedule. In conducting its business, it must serve the interests of the public and it must also serve the interests of its affiliated stations, its clients, its employees, and its stockholders. All these responsibilities call for a delicate and equitable balance.

To provide an effective national service and keep in the forefront of development, a network must commit and risk enormous sums on talent arrangements, program creation, technical equipment, studios and interconnections. It is subject to the combined hazards of show business and the advertising business. Despite the costs and risks involved, networks have not yet reached the point where they can count on a continuing yearly profit commensurate with their investment and volume of business.

But because they are so much in the public eye, networks—and particularly the successful ones—have long been the whipping boy for any and all problems in broadcasting. Much of it is due to failure to understand and appreciate the facts and circumstances surrounding network operations. And from time to time, the cry goes up: "There ought to be a law."

I do not think that government intervention in the business affairs or the programs of networks is practical or desirable. The economic machinery of network operation rests on a delicate balance of many different and sometimes conflicting elements. Its direction requires a high degree of creative imagination and initiative, as well as expert business judgment. Network broadcasting includes art as well as industry.

Success and strength in this field should not be penalized, but encouraged. And the stations should be the foremost advocates of a strong network service, not only in their own interests, but in the interests of the public they serve. I believe that the NBC affiliates recognize their basic mutuality of interests with the network. Let us go forward with our efforts to advance these mutual interests.

All the signs point to a colorful and promising future and I wish you a most successful meeting and continued achievement and prosperity.

Daniel Winter Joins Hemphill, Noyes & Co.

PITTSBURGH, Pa.—Daniel R. Winter has joined the Pittsburgh office of Hemphill, Noyes & Co., Alcoa Building, it is announced. Mr. Winter, a native of Pittsburgh, was a partner in Bacon, Whipple & Co., Chicago securities firm. More recently, he has been with the Gulf Oil Company in Pittsburgh.

Oscar Kraft Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Arthur W. Crawford has been added to the staff of Oscar F. Kraft & Co., 530 West Sixth Street.

Morgan Adds to Staff

LOS ANGELES, Calif.—Joseph R. Grossman has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

In following the daily news in the financial publications, one is impressed with the changes taking place in the banking field.

Almost every day there is an announcement of a new merger or the establishment of some new branch. It is not confined to any particular locality or section although some areas seem to be more active than others. However, within the past month, announcements of mergers or consolidations have been made in such widespread sections as Boston and San Francisco, New York and Dallas, to name only a few of the larger proposals.

These changes indicate that a fundamental change is taking place in American banking, the impact of which will be felt by customers, depositors and stockholders.

In an attempt to give current developments some perspective and answer the questions of "how" and "why" of the merger movement, the Federal Reserve Bank of Philadelphia has undertaken a case study of these developments in the third Federal Reserve district.

Accordingly, the current issue of the "Business Review" published by the bank is devoted to a general review and discussion of the background against which changes are taking place. Subsequent issues will consider the nature and character of the banks involved in the merger and branch movement, as well as the reasons "how" and "why" such action is being taken. Finally, some general conclusions regarding the whole development will be made.

This series of articles seems very timely and should give a measure of understanding to what has at times been considered a local or isolated problem. After reading the first article of the series, succeeding issues will be looked for with considerable anticipation.

The first article in the August issue of the bank's publication reviews the historical development of the American banking system since the turn of the century, pointing out that in the first two decades, it was a period of extensive expansion in the number of individual banks serving the farming areas of the West and South.

At the same time the economy was heading in another direction with population moving to the cities and business organizations expanding.

This set the stage for a period of retrenchment during the 20's and early 30's in the banking system. During the period either through mergers or suspensions, the number of banks was reduced by almost 50%.

During the last 20 years the number of new banks started has been relatively few. Failures have been nominal although there were a number of mergers in the late 1930's to strengthen a number of individual situations. However, as the Federal Reserve Bank points out, the most significant development in the last 20 years has been the ". . . steady growth in the number and importance of branches." This move has been aided by both economic developments and legal provisions.

As stated in the article: "In many ways the centralization movement at work earlier in the century is being reversed; people have been moving to the suburbs and industry is decentralizing. Laws have been further liberalized, facilitating mergers, the creation of new branches, and the conversion of chain and group banking systems to branch banking systems."

Against this background the Bank reviews recent events in the third district.

"From the beginning of 1947 to the middle of this year (the period our study will cover) there were 66 mergers between banks in this district. These resulted in 64 banks being converted to branches. In addition, there were 118 new branches established. . . . Banks in this district were a little slower in getting started than banks elsewhere, but in the past couple of years they have been catching up fast, particularly in merger activity. Furthermore, taking the period as a whole, banks in this district have been relatively more active than banks in the rest of the country in the sense that they accounted for 9.2% of all mergers and 7.3% of all new branches, while having only 5.6% of the banks."

Future articles will discuss the reason for this development in the third district as well as why there has been so much merger activity in this area. They should be very interesting reading not only because of the prominence of the third district in the financial community but because of the perspective they will give to this country-wide development in the banking field.

Continued from page 5

The State of Trade and Industry

freight absorption advantages they have already won, declares this trade authority.

A better outlook for steel production is reflected in a stiffening scrap market, it adds. Prices are up this week in several areas where consumer resistance had been holding the market in check. Increases the current week raised "The Iron Age" steel scrap composite price 33 cents a ton to $29.00 per gross ton.

In the automobile industry model changeovers and the slumping Independent car market have chopped Detroit-area car assemblies to 9% of the nationwide total from 20% in the 1954 peak week reached in May, "Ward's Reports" stated at the close of last week.

"Ward's," in naming Detroit as the hardest hit by model changeovers and inventory shutdowns in the nation thus far, said the area's automobile building has been cut to a rate of less than three per minute or by 70% compared with May.

The statistical agency predicted, however, that the Detroit region would be one of the first to witness an employment-production rebound after layoffs reach their peak the latter part of September or early October.

It predicted that thousands of workers including many of the 33,000 idled at Chrysler Corp. since January, would be recalled by November in the industry's all-out production drive with 1955 models.

Last week, "Ward's" said, output netted only 108,436 car and truck assemblies in domestic plants, a 2.5% fall-off from the preceding week's 1954 low of 111,245. A year ago the count was 125,887.

Down completely the past week was Chrysler Corp., its car lines idled by factory reconversion and its Dodge Truck division for a one-week inventory.

Elsewhere, last week Kaiser, Willys and Studebaker showed "zero" car output, a strike at Mercury's St. Louis plant continued and Hudson scheduled a five-day week, for one of the few times this year.

Domestic August production, "Ward's" reported, totaled 436,704 cars and 72,935 trucks compared with 517,513 and 101,010 a year ago.

Steel Output Scheduled to Show Slight Decline Due to Labor Day

Steel demand is strengthening, says "Steel," the weekly magazine of metalworking the current week and here's proof: The steel ingot production rate rose last week for the first time in a month. A major steel producer which issues a weekly steel availability list began last week to quote slower delivery on cold-rolled sheets and strip, electrical sheets and coils and enameling iron sheets. Market reporters noted gain in ordering in various segments of the steel market. Optimism was growing among steel sellers.

Labor Day, it notes, will slow production but activity should resume in earnest this week. Vacations and holidays will be past. Turning up for the first time in a month, the national steel ingot production rate gained two points in the week ended Sept. 5 and registered 64.5% of capacity.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 62.9% of capacity for the week beginning Sept. 6, 1954, equivalent to 1,500,000 tons of ingots and steel for castings as against 1,525,000 tons and 64.0% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 64.0% and production 1,525,000 tons. A year ago the actual weekly production was placed at 2,011,000 tons or 89.2%. The operating rate is not comparable because capacity was lower than capacty in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Cut Slightly in the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 4, 1954, was estimated at 9,087,000,000 kwh., according to the Edison Electric Instiute.

This represented a decrease of 140,000,000 kwh. from the all-time high record of 9,227,000,000 kwh. reached in the previous week, but an increase of 393,000,000 kwh., or 4.5% over the comparable 1953 week and 1,763,000,000 kwh. over the like week in 1952.

Car Loadings Continued to Fall Below Preceding Week

Loadings of revenue freight for the week ended Aug. 28, 1954, decreased 2,008 cars or 0.3% the preceding week, according to the Association of American Railroads.

Loadings totaled 676,616 cars, a decrease of 141,845 cars or 17.3% below the corresponding 1953 week, and a decrease of 50,744 cars or 7% below the corresponding week in 1952, when loadings were affected by the bituminous coal miners' Memorial Holiday.

U. S. Auto Output Dropped Last Week 2.5% Under Previous 1954 Low Level

The automobile industry for the latest week, ended Sept. 3, 1954, according to "Ward's Automotive Reports," assembled an estimated 92,346 cars, compared with 93,649 (revised) in the previous week. The past week's production total of cars and trucks amounted to 108,436 units, a decline below the preceding week's output of 2,809 units, states "Ward's". In the like week of 1953 125,887 units were turned out.

The past week saw a 2.5% fall-off from the previous week's 1954 low point, "Ward's" notes.

Last week, the agency reported there were 16,090 trucks made in this country, as gainst 17,596 (revised) in the previous week and 20,673 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 1,860 cars and 410 trucks last week, against 1,975 cars and 276 trucks in the preceding week and 5,638 cars and 1,049 trucks in the comparable 1953 week.

Business Failures Rise Slightly

Commercial and industrial failures increased slightly to 193 in the week ended September 2 from 184 in the preceding week, Dun & Bradstreet, Inc. reports. Casualties were only slightly more numerous than a year ago when 178 occurred in the comparable week, but they were considerably above the 110 in the similar week of 1952. Continuing below the prewar level mortality was down 16% from the 1939 toll of 229.

Failures involving liabilities of $5,000 or more rose to 169 from 157 last week, exceeding the 147 reported a year ago. On the other hand small casualties, those involving liabilities under $5,000, fell to 25 from 27 in the previous week, and compared with 31 in the corresponding year of 1953. Twelve concerns succumbed with liabilities in excess of $100,000 as compared with 18 of last week.

Wholesale Food Price Hits 9-Month Low Level Last Week

The sharp decline in foodstuffs continued the past week as the Dun & Bradstreet wholesale food price index for Aug. 31 fell sharply to $6.65. This was a drop of 3.5% from last week's $6.89, and an over-all decrease of 5.9% from $7.07 two weeks ago. The current figure marks the lowest level since Dec. 1, 1953 when it stood at $6.62, and the sharpest drop since the week of Feb. 10, 1948 when it tumbled 31 cents. The gain over the year-ago index of $6.61 has been narrowed to 0.6%.

Last week's dip in the index resulted from sharply lower quotations for coffee, cocoa, eggs, hogs, hams, and bellies and moderate declines in wheat, lard, cottonseed oil, potatoes and lambs, which heavily outweighed advances in flour, corn, rye, oats, butter and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index the Past Week Held to a Narrow Range

The general commdity price level continued to move in a narrow range with the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., showing a slight drop for the week. The index closed at 273.04 on Aug. 31, comparing with 274.31 a week earlier and with 280.56 on the like date a year ago.

Grain prices strengthened during the week, influenced mostly by unfavorable weather conditions.

Although the yields of both corn and soybeans are expected to be larger because of the continued rains, hopes for an early maturing of the crops have been largely dissipated. The cash corn market was active and some buying was stimulated by reports that the government was running low in its remaining supples of 1948 crop corn. Wheat price rose, reflecting a more active demand, with some support attributed to the spread of black rust in the Spring wheat belt of the Canadian Prairie provinces and poor crop conditions in Europe. The volume of trading in grain and soybean futures on the Chicago Board of Trade was smaller last week. Daily average sales totaled 41,400,000 bushels, against 51,300,000 a week earlier, and 53,900,000 in the same week last year.

Domestic demand for flour was quiet at the week-end following a burst of activity early in the period, particularly in Spring wheat varieties. Butter prices remained firm as clearances of fresh receipts improved.

Coffee prices were again sharply lower as the market continued nervous and unsettled. There was heavy selling in futures with prices reported down approximately 33% from the all-time highs of a few months back.

Following early strength, lard prices weakened in sympathy with the sharp break in hog values to new low levels for the year. Increased market receipts and lower wholesale prices for fresh pork were the main bearish factors in the market. Slaughter steers were steady, sheep and lambs developed a slightly firmer trend in late dealings.

Spot cotton prices were steady to firmer a week ago. The upward trend reflected increased mill buying and short covering, stimulated by a continued lack of a needed general rain in the main cotton belt. Trading was more active with some buying attracted by the expectation that the next official crop estimate will show a moderate reduction in probable yield. Sales in the 14 spot markets were reported at 145,100 bales last week as against 139,500 a week earlier. Net entries of 1954-crop cotton into the CCC loan totaled 3,900 bales through Aug. 20, according to the first report for the current season. The gray goods market was featured by heavy sales of drapery fabrics at firmer prices.

Trade Volume Shows Some Contraction Both for Last Week and Like Period a Year Ago

In spite of the fact that there was a significant increase in apparel purchases in the period ended on Wednesday of last week, shoppers moderately decreased their total spending from that of last week and a year ago. Main floor business was generally better than that in basement departments; more credit sales have been reported in recent months than ever before.

It was announced in New York the past week that increasing numbers of wage-earners throughout the country are cutting their personal savings and cashing bonds and insurance policies. The total amount of savings continues to climb, however.

The dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be unchanged to 4% below that of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: Midwest —4 to —8; East —2 to —6; Southwest —3 to +1; South —2 to +2; Pacific Coast and Northwest —1 to +3 and New England 0 to +4.

The past week many stores reported the first significant increases in Fall apparel buying. Children's back-to-school clothes sold in larger numbers than in the preceding week and a year ago, and women's better dresses were in improved demand.

Although recently many manufacturers have not been able to deliver goods on time because production has been geared to light initial buying, most retailers are continuing to order limited quantities of goods for shipment within 30 to 60 days. In the period ended Wednesday of last week, however, there was a general rise in wholesale buying as compared with that of the week before, but the total volume was not up to 1953's level.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ending Aug. 28, 1954 advanced 1% from the level of the preceding week. In the previous week, Aug. 21, 1954, no change was reported from that of the similar week in 1953. For the four weeks ended Aug. 28, 1954, an increase of 1% was recorded. For the period Jan. 1 to Aug. 28, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York City the past week, despite the hurricane weather, rose more than 20% above the level of the similar week a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Aug. 28, 1954, registered an increase of 10% above the like period of last year. In the preceding week, Aug. 21, 1954, a decline of 2% was reported from that of the similar week in 1953, while for the four weeks ended Aug. 28, 1954, a rise of 3% was reported. For the period Jan. 1 to Aug. 28, 1954, no change was registered from that of the 1953 period.

Correction

In the "Financial Chronicle" of September 2 it was reported that Bayard T. Crane Jr. had become associated with Trusteed Funds, Inc. Mr. Crane was formerly with Trusteed Funds but is now associated with Palmer, Pollacchi & Co., 84 State Street, Boston, Mass.

Harriman, Temple Elected Trustees

E. Roland Harriman, and Alan Harrison Temple have been elected trustees of Atlantic Mutual Insurance Company and directors of Centennial Insurance Company, it has been announced.

Mr. Harriman, a partner in Brown Brothers Harriman and Company, has been in the banking business in New York since 1922. **He is chairman of the board of directors of the Union Pacific Railroad, and a director of several American corporations, among them the American Bank Note Company, Anaconda Copper Mining Company, Delaware and Hudson Railroad Company and Provident Fire Insurance Company, and a trustee of the Mutual Life Insurance Company of New York. Mr. Harriman is also chairman of the American National Red Cross and President of the Boy's Club of New York.**

Mr. Temple has been with National City Bank of New York since 1931. He became a Vice-President in 1942 and has been Executive Vice-President since 1952. He is a director of International Banking Corporation and Prudential Insurance Company of Great Britain. He is also a member of the National Industrial Conference Board, American Economics Association and the American States Association.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 12	§62.9	*64.0	64.0	89.2
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 12	1,500,000	1,525,000	1,525,000	2,011,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 27	6,141,350	6,155,750	6,254,950	6,620,700
Crude runs to stills—daily average (bbls.)	Aug. 27	¶6,955,000	6,936,000	6,827,000	7,234,000
Gasoline output (bbls.)	Aug. 27	23,667,000	23,826,000	23,326,000	24,330,000
Kerosene output (bbls.)	Aug. 27	2,101,000	2,171,000	2,061,000	2,076,000
Distillate fuel oil output (bbls.)	Aug. 27	10,107,000	10,261,000	10,294,000	10,317,000
Residual fuel oil output (bbls.)	Aug. 27	7,595,000	7,917,000	7,419,000	8,226,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 27	153,757,000	155,017,000	158,402,000	141,475,000
Kerosene (bbls.) at	Aug. 27	34,260,000	33,830,000	31,368,000	34,145,000
Distillate fuel oil (bbls.) at	Aug. 27	114,984,000	111,444,000	100,439,000	116,710,000
Residual fuel oil (bbls.) at	Aug. 27	55,903,000	55,848,000	54,651,000	50,912,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 28	676,616	678,624	683,569	818,461
Revenue freight received from connections (no. of cars)	Aug. 28	576,786	577,987	568,153	667,137
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 2	$376,682,000	$224,168,000	$368,623,000	$273,524,00
Private construction	Sept. 2	219,317,000	125,766,000	241,014,000	166,649,00
Public construction	Sept. 2	157,365,000	98,402,000	127,609,000	106,875,00
State and municipal	Sept. 2	131,134,000	88,567,000	105,469,000	74,087,00
Federal	Sept. 2	26,231,000	9,835,000	22,140,000	32,788,00
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 28	7,410,000	*7,540,000	7,500,000	9,740,00
Pennsylvania anthracite (tons)	Aug. 28	485,000	490,000	511,000	618,00
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 28	102	100	87	101
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 4	9,087,000	9,227,000	9,059,000	8,694,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 2	193	184	207	17
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 31	4.801c	4.801c	4.801c	4.634
Pig iron (per gross ton)	Aug. 31	$56.59	$56.59	$56.59	$56.7
Scrap steel (per gross ton)	Aug. 31	$28.67	$28.67	$27.83	$40.0
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 1	29.700c	29.700c	29.700c	29.650c
Export refinery at	1	29.650c	29.675c	29.575c	29.250c
Straits tin (New York) at	Sept. 1	93.000c	93.250c	95.875c	83.500c
Lead (New York) at	Sept. 1	14.250c	14.250c	14.000c	14.000
Lead (St. Louis) at	Sept. 1	14.050c	14.050c	13.800c	13.800
Zinc (East St. Louis) at	Sept. 1	11.000c	11.000c	11.000c	11.000
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 7	100.06	99.94	100.44	92.8
Average corporate	Sept. 7	110.70	110.70	110.52	103.4
Aaa	Sept. 7	115.24	115.43	115.63	107.6
Aa	Sept. 7	112.50	112.56	112.56	105.5
A	Sept. 7	110.70	110.70	110.15	102.9
Baa	Sept. 7	104.66	104.66	104.14	97.9
Railroad Group	Sept. 7	109.24	109.24	109.24	101.8
Public Utilities Group	Sept. 7	110.88	110.88	110.88	102.6
Industrials Group	Sept. 7	112.00	112.00	111.62	106.0
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 7	2.49	2.50	2.46	3.01
Average corporate	Sept. 7	3.13	3.13	3.14	3.54
Aaa	Sept. 7	2.89	2.88	2.87	3.30
Aa	7	3.03	3.03	3.03	3.42
A	Sept. 7	3.13	3.13	3.16	3.5
Baa	Sept. 7	3.47	3.47	3.50	3.8
Railroad Group	Sept. 7	3.21	3.21	3.21	3.6
Public Utilities Group	Sept. 7	3.12	3.12	3.12	3.5
Industrials Group	Sept. 7	3.06	3.06	3.08	3.3
MOODY'S COMMODITY INDEX	Sept. 7	412.6	404.7	430.8	415.
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 28	210,528	214,012	256,223	226,36
Production (tons)	Aug. 28	241,922	251,722	237,843	253,24
Percentage of activity	Aug. 28	92	92	90	9
Unfilled orders (tons) at end of period	Aug. 28	330,720	364,174	390,265	467,36
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 3	106.61	*106.76	107.03	105.9
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of shares	Aug. 21	1,049,762	1,112,250	1,160,703	567,457
Dollar value	Aug. 21	$47,922,721	$49,825,757	$53,097,672	$26,657,99
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Aug. 21	1,141,156	1,191,847	1,156,234	513,958
Customers' short sales	Aug. 21	14,674	22,038	8,700	5,89
Customers' other sales	Aug. 21	1,129,482	1,169,809	1,147,534	508,061
Dollar value	Aug. 21	$51,009,687	$49,481,896	$49,334,769	$20,599,487
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 21	383,870	386,930	358,590	175,970
Short sales	Aug. 21	------	------	------	------
Other sales	Aug. 21	383,870	386,930	358,590	175,970
Round-lot purchases by dealers—					
Number of shares	Aug. 21	286,162	314,780	358,150	279,774
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Aug. 14	585,850	608,240	499,180	200,350
Other sales	Aug. 14	13,727,520	16,008,990	12,922,800	4,953,740
Total sales	Aug. 14	14,313,370	16,617,230	13,421,980	5,154,090
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 14	1,627,620	2,091,510	1,372,110	567,880
Short sales	Aug. 14	324,110	351,220	284,970	98,870
Other sales	Aug. 14	1,344,670	1,666,160	1,123,850	451,740
Total sales	Aug. 14	1,668,780	2,017,580	1,408,820	550,610
Other transactions initiated on the floor—					
Total purchases	Aug. 14	542,190	571,280	371,130	112,240
Short sales	Aug. 14	34,400	41,300	9,330	4,200
Other sales	Aug. 14	463,270	545,070	404,010	103,730
Total sales	Aug. 14	497,670	586,370	413,340	107,930
Other transactions initiated off the floor—					
Total purchases	Aug. 14	501,808	560,660	477,890	180,395
Short sales	Aug. 14	96,660	69,480	77,570	42,630
Other sales	Aug. 14	571,375	701,374	532,355	250,060
Total sales	Aug. 14	668,035	770,854	609,925	292,690
Total round-lot transactions for account of members—					
Total purchases	Aug. 14	2,671,618	3,223,450	2,221,130	860,515
Short sales	Aug. 14	455,170	462,000	371,870	145,700
Other sales	Aug. 14	2,379,315	2,912,604	2,060,215	8,055,530
Total sales	Aug. 14	2,834,485	3,374,604	2,432,085	951,230
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 31	109.5	110.0	110.1	110.3
Farm products	Aug. 31	91.6	93.9	95.3	95.9
Processed foods	Aug. 31	104.6	105.5	104.8	104.0
Meats	Aug. 31	8.58	89.1	87.2	89.7
All commodities other than farm and foods	Aug. 31	114.4	114.4	114.4	114.7

*Revised figure. ¶Includes 666,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of August (000's omitted):			
Total U. S. Construction	$1,270,951	$1,574,986	$1,111,213
Private construction	792,576	834,152	604,680
Public construction	478,375	740,834	506,533
State and municipal	411,023	549,562	414,226
Federal	67,352	191,272	92,307
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of July 31:			
Total consumer credit	$27,835	*$27,791	$27,581
Instalment credit	21,246	*21,122	21,004
Automobile	10,103	9,980	9,973
Other consumer goods	5,094	*5,134	5,351
Repair and modernization loans	1,566	1,563	1,516
Personal loans	4,483	4,445	4,164
Non-instalment credit	6,589	6,669	6,577
Single payment loans	2,193	2,215	2,079
Charge accounts	2,614	2,679	2,705
Service credit	1,782	1,775	1,793
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of July:			
Cotton Seed—			
Received at mills (tons)	128,274	21,315	113,485
Crushed (tons)	207,127	270,266	155,321
Stocks (tons) July 31	228,643	307,496	155,372
Crude Oil—			
Stocks (pounds) July 31	42,249,000	54,013,000	42,451,000
Produced (pounds)	77,097,000	94,884,000	55,418,000
Shipped (pounds)	83,911,000	114,426,000	72,884,000
Refined Oil—			
Stocks (pounds) July 31	955,553,000	*995,638,000	928,561,000
Produced (pounds)	78,738,000	106,431,000	67,740,000
Consumption (pounds)	108,802,000	139,760,000	68,663,000
Cake and Meal—			
Stocks (tons) July 31	203,321	198,062	91,549
Produced (tons)	103,175	126,729	75,673
Shipped (tons)	97,916	122,139	106,743
Hulls—			
Stocks (tons) July 31	98,174	123,884	48,318
Produced (tons)	49,005	61,300	32,526
Shipped (tons)	74,715	60,317	52,200
Linters (running bales)—			
Stocks July 31	151,001	176,279	63,101
Produced	64,186	84,114	48,657
Shipped	89,464	106,918	73,625
Hull Fiber (1,000-lb. bales)—			
Stocks July 31	590	857	165
Produced	229	177	43
Shipped	496	266	184
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks July 31	4,170	5,407	6,068
Produced	967	1,376	715
Shipped	2,204	2,592	2,653
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of June:			
All manufacturing (production workers)	12,484,000	*12,439,000	13,985,000
Durable goods	7,180,000	*7,209,000	8,326,000
Non-durable goods	5,304,000	*5,230,000	5,659,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	100.9	*100.5	118.1
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	136.7	*135.1	153.9
Estimated number of employees in manufacturing industries—			
All manufacturing	15,888,000	*15,835,000	17,416,000
Durable goods	9,121,000	*9,152,000	10,301,000
Non-durable goods	6,767,000	*6,683,000	7,115,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of July	£29,175,000	£15,510,000	£19,104,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of May (in billions):			
Total personal income	$286.4	*$286.2	$287.3
Wage and salary, receipts, total	195.2	*195.0	199.9
Commodity producing industries	84.2	*84.2	89.3
Distributing industries	52.4	*52.3	51.9
Service industries	25.2	25.2	25.0
Government	33.4	33.3	33.7
Less employee contributions for social insurance	4.7	4.6	4.1
Other labor income	6.6	6.6	6.3
Proprietors and rental income	49.4	*49.4	48.8
Personal interest income and dividends	24.1	24.0	22.8
Total transfer payments	15.8	*15.8	13.6
Total non-agricultural income	270.1	*269.7	271.5
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-14=100—As of June 15:			
Unadjusted—			
All farm products	248	258	257
Crops	244	249	246
Food grain	216	227	222
Feed grain and hay	205	207	204
Tobacco	445	446	425
Cotton	274	272	267
Fruit	240	215	219
Truck crops	200	279	298
Oil-bearing crops	283	286	280
Livestock and products	251	267	267
Meat animals	299	331	300
Dairy products	229	230	255
Poultry eggs	168	168	213
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of June (000's omitted):			
Savings and loan associations	$741,435	$674,939	$681,920
Insurance companies	145,612	123,503	130,914
Bank and trust companies	368,137	330,171	325,012
Mutual savings banks	133,203	117,846	120,447
Individuals	249,310	231,372	248,152
Miscellaneous lending institutions	352,395	326,668	262,814
Total	$1,990,092	$1,804,499	$1,769,259
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of July (000's omitted):			
Exports	$1,291,000	$1,474,000	$1,357,000
Imports	832,000	947,000	907,623

Warns Against Ever Increasing Debt

Current issue of "Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, points out unduly rapid increase of debt causes a marked deterioration of quality, with uncertain prospects of repayment, along with waste and the destructive effects of inflation.

The "Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, in the September issue, under the title "The Glorification of Debt," discusses the question of debt, public and private, in relation to the national economy.

Calling attention to the rapid rise in debts of all kinds since World War II, which is now estimated at more than a half trillion dollars, the "Guaranty Survey" points out:

"The standard argument is that the expansion of debt has been approximately matched by the growth of the economy, with the implication that the real debt burden has not increased. It is true that the ratio of debt to national income at the end of 1952 was 1.90, as compared with 2.02 11 years earlier. National income, however, is a deceptive yardstick with which to measure the growth of the economy. The 1952 dollar was not the same unit as the 1941 dollar. The buying power of the currency had shrunk rapidly during the interval. To a very large extent, the increase in national income over the 11-year period was not a measure of economic growth but an evidence of price inflation.

"The shrinkage of the dollar might be regarded as applying to the size of the debt as well as to the size of the income, since both are expressed in dollar terms. This would be much like saying that an increase in debt does not matter, provided it brings with it enough price inflation to relieve the burden on debtors. The next step would be to say the more debt the better, because more borrowing means more purchasing power, more purchasing power means more production and consumption, and more debt means nothing, as long as prices and incomes keep rising fast enough. This philosophy, if generally practiced, could produce incalculable economic wreckage. Yet it is not far from what is actually being said or implied today by some apologists for debt.

"Some increase in debt is, of course, to be expected in a growing economy. Debt is also credit, and credit is indispensable to the operation and expansion of industry and commerce. The legitimate purpose of credit, however, is to transfer buying power from those who do not immediately need it to those who do. The danger arises when credit expands too rapidly, giving rise to a large volume of new buying power not matched by the increase in the physical volume of production and trade. Then prices and money incomes rise, creating the illusion that the growth of the economy has kept pace with the increase in debt.

"The circular reasoning that is responsible for much of the present-day tendency to sanction and even glorify ever-increasing debt contains many fallacies and oversimplifications. Among the most serious of these is neglect of the fact that an unduly rapid increase in debt causes a marked deterioration of quality. Price relationships become distorted and conceal the true state of the market. The basis for sound business thinking and planning is impaired."

Discussing the use of debt to increase purchasing power of consumers, the "Guaranty Survey" remarks:

"History is replete with instances of the futility and danger of trying to increase prosperity by the easy expedient of multiplying the means of payment instead of the slower and more laborious task of producing more goods and services. The adventures of John Law, the French *assignats*, the Colonial bills of credit, the Continental currency, the free-silver agitation, the Populist movement, the destruction of European currencies after World War I—all are specimens of the same genus. Its name is inflation.

"In more recent times the old fallacy has been revived under a new name — purchasing power. The method nowadays is not to print new money but to create new debt. But the purpose and the effect are the same.

"The theme reappears constantly, though with variations. In the 1930's it was 'pump-priming.' During the war it was 'national defense.' Since the war it has been 'the full-employment commitment.' Now, in the view of all-out advocates, it is unheard-of prosperity through the endless and unlimited expansion of consumer debt.

"Any form of debt is strong medicine, and consumer debt is stronger than most. The practice of living today on tomorrow's income is one that could easily be carried to excess. It brings temptations that have shown their strength clearly enough to be a warning to the wise. If this form of finance is to enjoy the honorable and constructive future that it can and should have, it will be because it has resisted the blandishments of some of its too-devoted friends."

Continued from first page

As We See It

which had accumulated on the books over the decades (we had almost said centuries). Time, of course, must pass judgment upon the details of that law, but it would appear to be definitely a constructive piece of legislation. But it is essentially a technical job. The new law rests upon the same old basic philosophy which has governed all tax legislation for several decades—the idea that what is needed is to take from him who hath and give unto him who hath not. The ability-to-pay maxim is still interpreted to mean that taxation should be converted into some sort of leveling instrument to be sure that no one gets too much of the good things of life — regardless of how much he may produce or contribute to the general welfare—and that the great majority (who of course have the great majority of the votes) will not directly feel too much of the weight of current tax burdens. It is a fundamental defect in current tax philosophy which in much larger degree than is commonly realized blocks efforts to eliminate excessive and wasteful public expenditures.

Still Shackled

Regardless of what the election results are, we shall still have with us—and without prospect of getting rid of it—a vast system of regulation and control of the securities business which hampers and hinders the flow of savings into productive investment, and cripples initiative in a degree of which the public has no conception. So far as we can recall, we have heard of no politician of either party who has had a single word to say about removing this dead hand from the securities business of the country. It is not even an issue in the voting this Fall.

There has been not the slightest tendency on the part of any one in either party to call the Full Employment Act into question. On the contrary, this statute and the thinking which gave rise to it appear to have become sacrosanct. The notion that the Federal Government must be held responsible for the state of business is now everywhere prevalent. Few indeed have the hardihood to question it. Yet carried to its logical conclusion such a philosophy is hardly more than one step short of socialism. True, of course, that the statute is vague and indefinite in the extreme, committing the government to nothing specific, but experience is rapidly proving that if anything this very indefiniteness, in the hands of the politicians, renders the law the more dangerous, since it can be and is used to support demands of all sorts.

The Administration is much disposed to boast of its success in modifying the agricultural subsidy system in effect during the past few years. There can, of course, be no doubt at all that the system built up during the New Deal and the Fair Deal was "out of this world" in its bold and bald largesse to the farmer. It was obviously paying the farmer to produce items year after year in amounts far in excess of wants or needs. Plainly it was not only costing enormous sums, but was rendering a horrible situation continuously worse. It would appear, moreover, that the system now being introduced tends in one degree or another to reduce the ill effects of the old. The fact remains though that even this modified plan still leaves us slaves to a most abominable system of agricultural subsidies which must same day be abolished.

"Creeping Socialism"

Then there is what is now euphoniously termed "social security." The present Administration is very proud of legislation which it sponsored forcing further millions into a system of compulsory retirement pensions and the like. We say forcing advisedly. There is no choice left to them. What can such a system be called if not "creeping socialism"? Yet here is a piece of legislation that most politicians could not get behind fast enough. The forthcoming election will certainly do nothing to stimulate any rational thinking on this subject.

These are, of course, but a few bits of evidence of the vast distance we have traveled from the firm foundation upon which the nation was erected. Other citations aplenty could be made. What has already been said, however, amply suffices to show that not even a real beginning has been made back to "normalcy" and that nowhere on the political horizon is there to be observed any tendency on the part of influential politicians to start the nation back along the long and hard road which must somehow, sometime be traversed if we are to be able to look ahead to a long future of well being.

We are well aware, of course, that no political party can remain in power which insists upon going too far ahead of popular thinking on vital subjects. We do not say that the Eisenhower Administration could be expected to affix a portrait of Adam Smith to its banner and develop a program appropriate to its emblem. We do, however, most earnestly wish that it showed a firmer determination to lead the country back to reason.

Continued from page 2

The Security I Like Best

the company, following its separation from General Motors, is establishing itself as an independent enterprise. The adverse factors are believed to be of a transitory nature.

Assuming that the sale of the New York City tractions goes through this year, it is believed that the company's general program of expansion for Hertz contemplates doubling both passenger car and truck fleets in a 24 to 30 month period. With favorable financing terms available, this expansion should not require the large-scale issuance of securities by Omnibus, such as would materially dilute the common equity. Accordingly, the establishment of an earning power in the $3 to $4 range, say two years from now, can be projected with a considerable measures of confidence.

Management

Omnibus and Hertz are being run today by a group of men who have been with these companies for a great many years. Most of the Hertz key management people have been with the company 25 years or more, and have a thorough understanding of the industry and its possibilties. It is well to recognize that from its early days until September of 1953, less than a year ago, Hertz has been owned by General Motors, and that the company was essentially a minor, relatively unexploited member of the vast General Motors picture. Accordingly, the company for the first time is in a position to take aggressive action toward proving its true growth potential.

As an Investment

For reasons broadly set forth in the foregoing, I believe that the Hertz operation will show outstanding growth in the next few years. The stock, like that of many new industries, must gain seasoning to realize investment stature. I believe that this will take place as the investing community becomes more familiar with the sound character of this service industry. The business is inherently vital, and finances are being placed on a sound basis. The yield of over 4½% on the $1 dividend (which can probably be increased once earnings reach a higher level) is regarded as satisfactory. Management faith in the future of the company was recently evidenced by the exercise of options to purchase 86,000 shares. Allowing for these factors, the small common capitalization (733.739 shares) gives the stock unusually interesting longer-term appreciation possibilities. The stock is listed on the NYSE and the Midwest Stock Exchange.

Techbuilt Homes Shares All Sold

Aetna Securities Corp. has sold a new issue of 120,000 shares of common stock of Techbuilt Homes, Inc. at $2.50 per share, it was announced on Sept. 8.

Proceeds of the issue will be used to finance anticipated expansion of the company's operations centering around the "Techbuilt Home," which has received widespread publicity on television programs of the Ford Foundation and in national magazines.

This partially prefabricated home was designed so that its internal structure can be varied to a large extent to meet the needs and tastes of the occupant and sells in the $11,000-$16,500 category, exclusive of cost of land.

A substantial number of these homes have already been built or are under construction and franchises have been granted to 21 builders in the past four months with a number of others under negotiation.

Public interest is pointed up by the more than 18,000 inquiries received from 45 States, Canada, Mexico and Hawaii.

"Techbuilt Homes" are being sold, erected, in the Boston area for less than $7.25 per square foot (exclusive of land) as compared with construction costs of $10 and more per square foot for comparable small and middle-sized development housing.

Joins Blyth Co. Staff

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Robert W. Fulk is now affiliated with Blyth & Co., Inc., Pacific Building.

With King Merritt

(Special to The Financial Chronicle)

NEWBERG, Oreg.—Walter D. Tucker is now affiliated with King Merritt & Company Inc.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Allen Discount Corp., Boulder, Colo.
Aug. 13 (letter of notification) 900,000 shares of class B non-voting common stock. **Price**—At par (25 cents per share). **Proceeds**—For loans (mainly promissory notes). **Office**—1334 Pearl Street, Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

• Allied Control Co., Inc. (9/16)
Aug. 27 filed 100,000 shares of common stock (par $1). **Price**—$8 per share. **Proceeds**—To selling stockholders. **Offices**—New York, N. Y., and Plantsville, Conn. **Underwriter**—Bache & Co., New York.

★ Allied Laboratories, Inc., Kansas City, Mo.
Aug. 24 (letter of notification) an unspecified number of shares of common stock (no par). **Price**—The offering not to exceed an aggregate of $50,000. **Proceeds** — For expenses. **Office**—406 West 34th St., Kansas City, Mo. **Underwriter**—None.

★ Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

American Buyers Credit Co., Phoenix, Ariz.
Aug. 6 filed 5,000,000 shares of common stock to be issued to policyholders of American Buyers Insurance Co. and American Buyers Casualty Co., and employees. **Price**—To so-called "Expansion Policyholders" (various policyholders of both insurance companies), and employees, at par ($1 per share); and to all other policyholders in the insurance companies, $1.25 per share. **Proceeds**—To expand in the small loan field. **Underwriter**—None.

• American Buyers Insurance Co., Phoenix, Ariz.
Aug. 18 (letter of notification) 2,500 shares of common stock, to be offered to stockholders on a pro rata basis. **Price**—At par ($10 per share). **Proceeds**—To acquire capital required by Arizona law for a stock benefit insurance company. **Office**—2001 East Roosevelt, Phoenix, Ariz. **Underwriter**—None.

American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. **Underwriter**—None.

★ American Independent Reinsurance Co. (9/23)
Sept. 2 filed 900,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To be invested in securities of other companies and for working capital. **Office**—Orlando, Fla. **Underwriter**—Goodbody & Co., New York.

American Seal-Kap Corp. of Delaware (9/15)
Aug. 25 filed 61,312 shares of common stock (par $2) to be offered for subscription by common stockholders on the basis of one new share for each three shares held about Sept. 15; rights to expire on or about Sept. 28. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Long Island City, N. Y. **Underwriters** — American Securities Corp. and Hirsch & Co., both of New York City.

American Telephone & Telegraph Co. (9/21)
Sept. 1 filed $250,000,000 30-year debentures due Sept. 15, 1984. **Proceeds**—For advances to subsidiaries and associated companies; for purchase of stock offered for subscription by such companies; for extensions, additions and improvement and general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 21.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

★ Arco Uranium, Inc., Denver, Colo.
Sept. 7 filed 2,500,000 shares of common stock, of which 1,000,000 shares are to be publicly offered, 1,000,000 shares in exchange for property and 300,000 shares to be optioned to Benjamin Arkin, President, and 200,000 shares to be optioned to underwriters. **Price**—At par (50 cents per share). **Proceeds**—To repay advances and loan from Mr. Arkin, purchase equipment and for exploration and development expenses. **Underwriter** — Peters, Writer & Christensen, Inc., Denver, Colo.

Arden Farms Co., Los Angeles, Calif.
June 11 filed 32,669 shares of $3 cumulative and participating preferred stock (no par value) and 52,876 shares of common stock (par $1), the preferred shares being offered for subscription to holders of outstanding preferred stock of record July 7 on 1-for-10 basis, and the common stockholders to have right to subscribe for the new common stock on a 1-for-10 basis; rights to expire on Sept. 24. **Price**—For preferred, $48 per share, and for common $12.50 per share. **Proceeds**—To reduce bank loans. **Underwriter**—None.

Arkansas Natural Resources Corp.
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to drilling for magnetic iron ore. **Office**—Rison, Ark. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

Audubon Park Raceway, Inc. (9/15-16)
Aug. 24 filed 970,000 shares of common stock (par 10¢), of which 900,000 shares are to be offered to public. **Price**—$1 per share. **Proceeds**—To purchase land, construct racing plant, buy equipment and for working capital. **Office**—Morganfield, Ky. **Underwriters**—Berwyn T. Moore & Co., Inc., Louisville, Ky.; Gearhart & Otis, Inc., New York, and Crerie & Co., Inc. Houston, Tex.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to

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NEW ISSUE CALENDAR

September 9 (Thursday)
Chic., Milwaukee, St. Paul & Pacific RR. Equip. Trust Ctfs.
(Bids noon CDT) $2,700,000
Illinois Central RR. Bonds
(Bids 11 a.m. EDT) $60,000,000

September 13 (Monday)
General Nucleonics Corp. Common
(George F. Breen) $297,500
Kern Front Oil & Gas Corp. Common
(Farrell Securities Corp.) $300,000

September 14 (Tuesday)
California Water Service Co. Preferred
(Dean Witter & Co.) $1,500,000
Glen-Gery Shale Brick Corp. Preferred
(P. W. Brooks & Co., Inc.; Lee Higginson Corp. and Warren W. York & Co., Inc.) $1,400,000
Lindsay Chemical Co. Common
(Lehman Brothers and Farwell, Chapman & Co.)
Oklahoma Gas & Electric Co. Preferred
(Bids 11 a.m. EDT) $7,500,000
Riddle Uranium Mines, Inc. Common
(Tellier & Co.) $300,000
Tennessee Gas Transmission Co. Debentures
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $65,000,000
Western Development Co. Common
(J. G. White & Co., Inc.) $1,500,000

September 15 (Wednesday)
American Seal-Kap Corp. of Delaware Common
(Offering to stockholders—to be underwritten by American Securities Corp. and Hirsch & Co.) 61,312 shares
Audubon Park Raceway, Inc. Common
(Berwyn T. Moore & Co., Inc.; Gearhart & Itis, Inc.; and Crerie & Co., Inc.) $970,000
Eastern Industries, Inc. Preferred
(Blair & Co. Inc. and Cohu & Co.) $1,000,000
Georgia Power Co. Preferred
(Exchange offer to preferred stockholders—underwritten by The First Boston Corp.; Merrill Lynch, Pierce Fenner & Beane; Union Securities Corp.; and Equitable Securities Corp.) $43,386,900
Petaca Mining Corp. Preference & Common
(Barrett Herrick & Co., Inc.) $900,000
Standard Coil Products Co., Inc. Common
(A. C. Allyn & Co., Inc. and Dempsey & Co.) 189,655 shares
Supermarket Merchandisers of America Inc. Com.
(Milton D. Blauner & Co., Inc.) $299,550
Texas International Sulphur Co. Common
(Vickers Brothers) 455,000 shares
Western Maryland Ry. Bonds
(Bids 11:30 a.m. EDT) $16,000,000

September 16 (Thursday)
Allied Control Co., Inc. Common
(Bache & Co.) $800,000
Illinois Power Co. Preferred
(Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp.) $9,000,000
Illinois Power Co. Common
(The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane) 200,000 shares
Ketay Instrument Corp. Common
(A. G. Becker & Co. Inc.) 300,000 shares
Welex Jet Services, Inc. Common
(Offering to stockholders—underwritten by Laird & Co. and First Southwest Co., Inc.) 68,528 shares

September 20 (Monday)
Columbus & Southern Ohio Electric Co. Common
(Dillon, Read & Co. Inc. and The Ohio Company) 200,000 shares
Guild Films Co., Inc. Common
(Van Alstyne, Noel & Co.) 250,000 shares
San Diego Gas & Electric Co. Common
(Offering to stockholders—underwritten by Blyth & Co., Inc) 800,000 shares
U. S. Fiberglass Industrial Plastics, Inc. Common
(General Investing Corp.) $300,000
Western Massachusetts Electric Co. Bonds
(Bids noon EDT) $6,000,000

September 21 (Tuesday)
American Telephone & Telegraph Co. Bonds
(Bids 11 a.m. EDT) $250,000,000
First National Bank in Dallas Common
(Probably Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp.) $5,000,000

September 22 (Wednesday)
Dayton Power & Light Co. Bonds
(Bids 11 a.m. EDT) $15,000,000
Middle South Utilities, Inc. Common
(Offering to stockholders—no underwriting) 475,000 shares
Tampa Electric Co. Preferred
(Bids 11 a.m. EDT) $5,000,000

September 23 (Thursday)
American Independent Reinsurance Co. Common
(Goodbody & Co.) $3,600,000
Northern Pacific Ry. Bonds
(Bids noon EDT) $52,000,000

September 27 (Monday)
Sprague Engineering Corp. Common
(William R. Staats & Co.) 142,500 shares

September 28 (Tuesday)
Northern States Power Co. Bonds
(Bids to be invited) $20,000,000
Spencer Chemical Co. Preferred
(Morgan Stanley & Co. and Goldman, Sachs & Co.) $15,000,000

September 29 (Wednesday)
Columbus & Southern Ohio Electric Co. Bonds
(Bids 11:30 a.m. EST) $10,000,000
Cott Beverage Corp. Common
(Ira Haupt & Co.) 200,000 shares
New England Electric System Common
(Offering to stockholders—bids to 11 a.m. EST) 910,883 shares

September 30 (Thursday)
Louisville & Nashville RR. Bonds
(Bids to be invited) $30,350,000
National City Bank of New York Common
(Offering to stockholders—underwritten by The First Boston Corp.) $131,250,000

October 4 (Monday)
Public Service Co. of Colorado Bonds
(Bids noon EST) $20,000,000

October 5 (Tuesday)
Central Louisiana Electric Co., Inc. Debentures
(Offering to common stockholders—underwritten by Kidder, Peabody & Co.) $3,275,000
Indiana & Michigan Electric Co. Bonds
(Bids 11 a.m. EST) $16,500,000
Indiana & Michigan Electric Co. Preferred
(Bids 11 a.m. EST) $4,000,000
Metropolitan Edison Co. Bonds
(Bids to be invited) $15,000,000
Wisconsin Power & Light Co. Bonds
(Bids to be invited) $18,000,000

October 6 (Wednesday)
Sierra Pacific Power Co. Common
(Offering to stockholders—to be underwritten by Stone & Webster Securities Corp. and Dean Witter & Co.) 34,807 shares

October 11 (Monday)
Anglo California National Bank Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) $11,812,500

October 14 (Thursday)
Incorporated Income Fund Common
(Kidder, Peabody & Co.) 750,000 to 1,000,000 shares

October 18 (Monday)
Texas Power & Light Co. Bonds
(Bids 11:30 a.m. EST) $20,000,000

October 19 (Tuesday)
New York Telephone Co. Bonds
(Bids to be invited) $75,000,000

October 20 (Wednesday)
Louisiana Power & Light Co. Bonds
(Bids to be invited) $17,000,000

October 25 (Monday)
Sierra Pacific Power Co. Bonds
(Bids to be invited) $4,000,000

October 26 (Tuesday)
Savannah Electric & Power Co. Bonds, Debs. & Preferred
(Bids to be invited) $11,000,000

October 27 (Wednesday)
Florida Power & Light Co. Bonds
(Bids to be invited)

November 16 (Tuesday)
Pacific Telephone & Telegraph Co. Debentures
(Bids to be invited) $50,000,000

Continued from page 29

public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Black Hawk Uranium & Metals Co.
Aug. 9 (letter of notification) 5,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining operations. **Office**—136 S. State Street, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

★ **Bonneville Basin Uranium Corp.**
Aug. 23 (letter of notification) 15,000,000 shares of capital stock. **Price** — At par (two cents per share). **Proceeds** — For exploration and development expenses. **Office**—629 East South Temple St., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., of the same city.

Buffalo Forge Co., Buffalo, N. Y.
July 7 filed 85,000 shares of common stock (par $1). **Price**—To be related to current market price at time of offering. **Proceeds**—To 11 selling stockholders. **Underwriter**—Hornblower & Weeks, New York. **Offering**—Postponed indefinitely.

Cahokia Downs, Inc., East St. Louis, Ill.
Aug. 30 filed 140,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Aug. 28. **Price**—$5 per share. **Proceeds**—For construction of racing plant. **Underwriter**—None.

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — For construction costs, etc. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

• **California Water Service Co. (9/14)**
Aug. 23 filed 60,000 shares of cumulative preferred stock, series I (par $25). **Price**—To be supplied by amendment. **Proceeds**—To finance construction program and for general corporate purposes. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Carolina Resources Corp.
Aug. 19 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire claims and mining equipment, erect and equip processing plant, and for working capital. **Office**—Nantahala Bldg., Franklin, N. C. **Underwriter** — Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

★ **Cent-O-Visor, Inc., Washington, D. C.**
Aug. 30 (letter of notification) preorganization certificates for 350 shares of common stock (par $8.50) of Cent-O-Visor Co. (exchangeable for a like number of shares of common stock of Cent-O-Visor, Inc., when formed. **Price**—$10 per share. **Proceeds**—For equipment and working capital. **Office**—122—11th St., S.E., Washington, D. C. **Underwriter**—None.

Cessna Aircraft Co. (Kansas)
Aug. 9 (letter of notification) 1,700 shares of common stock (par $1). **Price**—$14 per share. **Proceeds**—To Getto McDonald, a director. **Underwriter**—Harris, Upham & Co., New York.

• **Chemical Products Corp., Providence, R. I.**
Aug 27 filed 125,000 shares of common stock (par $1), of which 111,638 shares are to be offered by Photon, Inc. for subscription by its stockholders on the basis of one share for each two shares of Photon, Inc. held about Sept. 17 (for a 15-day standby) and the remaining 13,362 shares are to be offered by Chemical Products Corp. to its employees. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwrier**—G. H. Walker & Co., Providence, R. I.

Cherokee Utah Uranium Corp.
June 24 (letter of notification) 6,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah.

Chief Consolidated Mining Co.
June 24 filed 1,252,408 shares of preferred stock (par 50 cents) and 626,204 preferred stock purchase warrants being offered for subscription by common stockholders of record Aug. 2 on the basis of one share of preferred and an option to purchase one additional share of preferred stock (at 50 cents per share) for each two common shares held (with an oversubscription privilege); rights to expire on Sept. 30. **Price**—55 cents per unit. **Proceeds**—For development program and working capital and general corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—None. Statement effective July 28.

Colorado Mining Corp., Denver, Colo.
Aug. 23 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—At the market (estimated at $1 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—L. D. Friedman & Co., Inc., New York.

Colorado Sports Racing Association
Aug. 19 (letter of notification) 297,995 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction of track and working capital. **Office** — Equitable Bldg., Denver, Colo. **Underwriter** — General Investing Co., same city.

Columbus & Southern Ohio Electric Co. (9/20)
Aug. 31 filed 200,000 additional shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Dillon, Read & Co. Inc., New York, and The Ohio Company, Columbus, Ohio.

Columbus & Southern Ohio Electric Co. (9/29)
Aug. 31 filed $10,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon Read & Co. Inc. and The Ohio Company (jointly); Salomon Bros. & Hutzler; Union Securities Corp. and Glore, Forgan & Co. (jointly); White, Weld & Co.; Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Sept. 29 at City Bank Farmers Trust Co., 22 William Street, New York 15, N. Y.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

• **Cott Beverage Corp. (9/29-30)**
Aug. 27 filed 200,000 shares of common stock (par $1.50), of which 120,000 shares are for the account of the company and 80,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion. **Office**—New Haven, Conn. **Underwriter**—Ira Haupt & Co., New York.

Danaho Refining Co., Houston, Texas
June 14 filed $625,000 of 6% debentures and 375,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 30 shares of stock. **Price**—$100 per unit. **Proceeds**—For additions and improvements. **Underwriter**—None.

Danaho Refining Co., Houston, Texas
June 14 filed 110,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For additions and improvements. **Underwriter**—None.

Dayton Power & Light Co. (9/22)
Aug. 23 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. and The First Boston Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 22 at Irving Trust Co., One Wall St., New York, N. Y. Invitations will be published about Sept. 15.

Eastern Industries, Inc. (9/15)
Aug. 27 filed 100,000 shares of cumulative convertible preferred stock (par $10). **Price** — To be supplied by amendment. **Proceeds** — For working capital. **Underwriters**—Blair & Co. Incorporated and Cohu & Co., both of New York.

★ **El Coronado Health Resort, Scottsdale, Ariz.**
Ag. 24 (letter of notification) $250,000 of 15-year 6% debentures and 2,500 shares of common stock (par $10). **Price**—At par. **Proceeds**—For capital expenditures and equipment. **Address**—P. O. Box 938, Scottsdale, Ariz. **Underwriter**—None.

El Dorado Mining Co., Salt Lake City, Utah
Aug. 23 (letter of notification) 17,500,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—223 Phillips Petroleum Building, Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

El Rey Uranium Corp., Salt Lake City, Utah
Aug. 24 (letter of notification) 1,475,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriters** — Mid-Continent Securities, Inc., Cromer Brokerage Co. and Coombs & Co., all of Salt Lake City.

Eureka Uranium Corp., Cheyenne, Wyo.
July 12 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For mining expenses. **Office**—2215 Duff Ave., Cheyenne, Wyo. **Underwriter**—Underwriters, Inc., Sparks, Nev.

• **Fidelity Acceptance Corp., Minneapolis, Minn.**
Aug. 30 filed 6,000 shares of 7% cumulative preferred stock (par $25), to be offered to employees; $900,000 of 5¾% capital debentures and 24,000 shares of 6% cumulative class E preferred stock (par $25). **Price**—At par. **Proceeds**—To reduce outstanding bank loans. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn., and B. I. Barnes, Boulder, Colo.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

First Railroad & Banking Co. of Georgia
July 30 filed 42,000 units, each consisting of one share of common stock, one warrant to subscribe at $4.10 per share to 13 shares of common stock, and one $250 5% collateral trust bond due Aug. 1, 1988, to be offered for each of the 42,000 shares of outstanding common stock pursuant to plan of readjustment; also 756,000 shares of common stock, which includes 546,000 shares subject to subscription upon exercise of warrants and 210,000 shares to be offered to public at $4.50 per share through Johnson, Lane, Space & Co., Savannah, Ga., who will also purchase such of the 546,000 shares of common stock not sold upon exercise of warrants.

★ **Forming Machine Co. of America, Inc.**
Sept. 1 (letter of notification) 7,000 shares of common stock (par $1) to be offered for subscription by stockholders for a 30-day period. **Price** — $25 per share to stockholders; $30 to public. **Proceeds**—For working capital. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 618 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

★ **Frigikar Corp., Dallas, Texas**
Aug. 26 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To retire bank loans, for initial inventory, and for working capital. **Office**—1602 Cochran St., Dallas, Tex. **Underwriter**—None.

Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office** — 100 Adelaide St. West, Toronto, Canada. **Underwriter**—McCoy & Willard, Boston, Mass.

General Bronze Corp.
Aug. 5 filed 32,933 shares of common stock (par $5) being offered for subscription by common stockholders of record Aug. 27 on the basis of one new share for each 10 shares held; rights to expire on Sept. 13. **Price**—$22 per share. **Proceeds** — For expansion program. **Underwriter**—Lehman Brothers, New York.

• **General Gas Corp., Baton Rouge, La.**
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Expected late in September.

General Nucleonics Corp. (9/13)
Aug. 18 (letter of notification) 59,500 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion and working capital. **Office**—489 Fifth Avenue, New York, N. Y. **Underwriter** — George F. Breen, New York.

Georgia Power Co. (9/15)
Aug. 26 filed 433,869 shares of cumulative preferred stock (to bear a dividend of not more than $4.92 per share), which are to be offered in exchange, together with an amount in cash, for the outstanding 433,869 shares of $6 preferred stock. The exchange will be from Sept. 15 to Oct. 4, according to present plans and the exchange offer will be mailed on Sept. 15. Unexchanged stock will be redeemed on Nov. 6, 1954, at $110 per share. **Price** — Of new stock expected to be $105 per share. **Underwriters**—The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; and Equitable Securities Corp.

Glen-Gery Shale Brick Corp. (9/14)
Aug. 18 filed 140,000 shares of 6% cumulative first preferred stock (par $10) to be offered for public sale. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Office**—Reading, Pa. **Underwriters**—P. W. Brooks & Co., Inc. and Lee Higginson Corp., both of New York; and Warren W. York & Co., Inc., Allentown, Pa.

Grand Union Co.
Aug. 11 filed $5,503,400 of 3½% 15-year convertible subordinated debentures due Sept. 15, 1969, being offered for subscription by common stockholders on the basis of $100 of debentures for each 13 shares held on Aug. 31, 1954; rights to expire on Sept. 15. **Price**—At par. **Proceeds**—For equipping new stores and remodeling and modernization of existing stores and other general corporate purposes. **Underwriters**—Morgan Stanley & Co. and W. E. Hutton & Co., both of New York.

Great Basins Petroleum Co., Denver, Colo.
Aug. 30 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and reduce other debt. **Underwriter**—First California Co., Inc., San Francisco, Calif.

★ **Guild Films Co., Inc. (9/20-24)**
Sept. 3 filed 250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. Expected at $4 per share. **Proceeds**—For payment of loans and for working capital. **Business**—Manufactures films for television. **Underwriter** — Van Alstyne, Noel & Co., New York.

• **Gulf States Utilities Co.**
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The

Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed. **Meeting**—Stockholders will vote Sept. 17 on new issue.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

★ Holly Sugar Corp., Colorado Springs, Colo.
Aug. 24 (letter of notification) 5,500 shares of common stock (par $10) to be offered for subscription by employees (these shares have been reacquired for sale to employees and are part of 12,000 shares to be reacquired and offered to employees). **Price**—$16.50 per share. **Proceeds**—For working capital. **Office**—Holly Sugar Bldg., Colorado Springs, Colo. **Underwriter**—None.

★ Homestead Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For exploration and development expenses. **Office**—65 East Fourth South St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., of the same city.

Illinois Power Co. (9/16)
Aug. 27 filed 180,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans and for construction program. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

Illinois Power Co. (9/16)
Aug. 27 filed 200,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

★ Indiana & Michigan Electric Co. (10/5)
Sept. 2 filed $16,500,000 of first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 5.

★ Investment Corp. of America
Aug. 30 (letter of notification) 3,799 shares of cumulative preferred stock (no par) and 3,799 shares of common stock (no par). **Price**—For preferred, $20 per share; and for common, $2 per share. **Proceeds**—For working capital. **Office**—3603 Broadway, San Antonio, Tex. **Underwriter**—Interior Securities, Inc., San Antonio, Tex.

Irwin Community Television Co., Irwin, Pa.
Aug. 31 filed 4,000 shares of 5% cumulative preferred stock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Proceeds**—For organization expenses, equipment, construction and related purposes.

● Kern Front Oil & Gas Corp. (9/13)
Aug. 10 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—825 S. Serrano Avenue, Los Angeles, Calif. **Underwriter**—Farrell Securities Co., New York.

Ketay Instrument Corp., New York City (9/16)
Aug. 27 filed 300,000 shares of common stock (par 10 cents), of which 200,000 shares are to be offered by the company and 100,000 shares for account of certain selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—To pay outstanding obligations. **Business**—Designs, develops and manufactures rotating precision electronic controls and instruments. **Underwriter**—A. G. Becker & Co. Inc., Chicago and New York.

Keystone Fund of Canada, Ltd., Montreal, Canada
Aug. 2 filed 1,250,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—The Keystone Co. of Boston, Boston, Mass.

★ King Oil Co., Salt Lake City, Utah
Aug. 30 (letter of notification) 238,535 shares of capital stock. **Price**—50 cents per share. **Proceeds**—For expenses incident to oil operations. **Office**—28 West 2nd St., South, Salt Lake City, Utah. **Underwriter**—None.

Ladoric Mines Ltd., Montreal, Canada
July 30 (regulation "D") 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—For exploration, etc. **Underwriter**—Daggett Securities, Inc., Newark, N. J.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Lewis (E. L.) Co., Inc., Spartanburg, S. C.
Aug. 26 (letter of notification) $70,000 of 6% capital debentures, series A. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To finance new store, or for working capital. **Underwriters**—Dargan & Co. and Calhoun & Co., both of Spartanburg, S. C.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

Lindsay Chemical Co. (9/14)
Aug. 23 filed an issue of common stock (number of shares not given), which are to be offered for subscription by preferred and common stockholders about Sept. 14 on a pro rata basis; rights to expire on Sept. 28. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Lehman Brothers, New York; and Farwell, Chapman & Co., Chicago, Ill.

● Loma Uranium Corp., Denver, Colo.
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York. **Offering**—Expected later in September.

Marion River Uranium Co.
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriter**—Crerie & Co., Houston, Tex.

McCluskey Wire Co., Inc., New Haven, Conn.
June 21 (letter of notification) $95,000 of 5% debentures, series A, due July 1, 1962, and $95,000 of 6% debentures, series B, due July 1, 1970. **Proceeds**—To acquire assets and business of H. & T. McCluskey & Sons, Inc. **Office**—527 Grand Avenue, New Haven, Conn. **Underwriter**—Barnes, Bodell & Goodwin, Inc., New Haven, Conn.

★ Merritt-Chapman & Scott Corp.
Sept. 7 filed 448,868 shares of common stock (par $12.50) to be offered in exchange for stockholders of Marion Power Shovel Co. and Osgood Co. on the basis of three shares for each two Marion Power common shares, and two shares for each three shares of Osgood Co.'s class A and class B stock not held by Marion Power Shovel Co. **Underwriter**—None.

★ Metropolitan Edison Co. (10/5)
Sept. 3 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds** — To redeem $8,000,000 of 3⅞% first mortgage bonds due 1983; to repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected on Oct. 5.

★ Middle South Utilities, Inc. (9/22)
Sept. 1 filed 475,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record Sept. 22 on the basis of one new share for each 15 shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To retire $12,000,000 of bank loans and for investment in the System companies and for other corporate purposes. **Underwriter**—None.

★ Mississippi Power & Light Co.
Sept. 3 filed 44,476 shares of cumulative preferred stock (par $100) to be offered in exchange for a like number of outstanding shares of $6 cumulative preferred stock (no par) on a share-for-share basis (with a cash adjustment). **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. and Shields & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and The First Boston Corp.

Monterey Uranium Corp., Salt Lake City, Utah
Aug. 13 (letter of notification) 1,500,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining operations. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah.

★ Motorists' Discount Service of America, Inc.
Aug. 27 (letter of notification) 41,500 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—117-119 Main St., Poughkeepsie, N. Y. **Underwriter**—None.

Mountain States Uranium, Inc.
May 19 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nevada.

★ National Airlines, Inc., Miami, Fla.
Aug. 23 (letter of notification) 18,550 shares of common stock (par $1) to be offered for subscription by employees. **Price**—$11.83 per share. **Proceeds**—For general corporate purposes. **Office**—3240 N. W. 27th Ave., Miami, Fla. **Underwriter**—None.

★ National Gyramatic Corp., Denver, Colo.
Aug. 31 (letter of notification) 30,000 shares of common stock (par $1). **Price** — $10 per share. **Proceeds** — For working capital, etc. **Office** — 324 Denham Building, Denver, Colo. **Underwriter**—None.

Nevada Southern Gas Co., Las Vegas, Nev.
Aug. 30 filed 20,000 shares of 6% first preferred stock (par $20) and 85,000 shares of common stock (par $1). **Price**—Of preferred, $20 per share; and of common, $6 per share. **Proceeds**—To repay obligations of the company incurred in connection with the acquisition of the business and assets of Las Vegas Gas Co. **Underwriter**—First California Co., Inc., San Francisco, Calif.

● New England Electric System (9/29)
Aug. 20 filed 910,883 shares of common stock (par $1) to be offered for subscription to common stockholders on the basis of one new share for each 10 shares held at the close of business on the record date (expected to be Sept. 29). **Proceeds**—To construction programs of its susbidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Sept. 29.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

North Central Airlines, Inc.
June 15 (letter of notification) $300,000 of 10-year 6% convertible debentures due July 31, 1964 being offered to common stockholders of record Aug. 5 on the basis of $100 principal amount of debentures for each 100 shares held (with an oversubscription privilege); rights to expire on Sept. 15. **Price**—At 100% and accrued interest. **Proceeds**—To reduce trade accounts payable and for working capital. **Office**—World-Chamberlain Field, Minneapolis, Minn. **Underwriter**—None.

North-West Telephone Co.
July 30 (letter of notification) 3,000 shares of common stock being offered for subscription by stockholders. **Price**—At par ($50 per share). **Proceeds**—For capital improvements. **Office**—119 Monona Ave., Madison, Wis. **Underwriters**—Harley, Haydon & Co. and Bell & Farrell, Inc., both of Madison, Wis.

Northern States Power Co. (9/28)
Aug. 31 filed $20,000,000 of first mortgage bonds due Oct. 1, 1984. **Proceeds**—For construction program of company and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co.; A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly). **Bids**—Expected to be received on or about Sept. 28.

Northwest Defense Minerals, Inc.
Aug. 12 (letter of notification) 300,000 shares of common stock, of which 270,000 shares are to be offered to public and 30,000 shares to underwriter. **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—2101 S St., N. W., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Oklahoma Gas & Electric Co. (9/14)
Aug. 16 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Blyth & Co., Inc. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on Sept. 14 at office of J. P. Morgan & Co. Incorporated, 23 Wall St., New York City.

★ Oklahoma Uranium, Corp. Grand Junction, Colo.
Aug. 30 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—209 First National Bank Bldg., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

Ol Jato Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,750,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining operations. **Office**—114 Atlas Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain Securities, the same city.

★ O'Sullivan Rubber Corp.
Aug. 23 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—To a selling stockholder. **Underwriters** — Troster, Singer & Co. and C. F. Cassell & Co., both of New York.

● Pacific Telephone & Telegraph Co.
May 7 filed 1,004,603 shares of common stock being offered for subscription by common and preferred stockholders of record Aug. 31 in ratio of one share for each seven shares of common and/or preferred stock held; rights to expire Sept. 30. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings. **Underwriter**—None. American Telephone & Telegraph Co., the parent, owns 91.1% of common stock and 78.2% of preferred stock. Statement effective Aug. 24.

Peabody Coal Co., Chicago, Ill.
July 14 (letter of notification) 17,300 shares of 5% convertible prior preferred stock (par $25). **Price**—At market (estimated at $11.75 per share). **Proceeds**—To certain selling stockholders.—**Underwriter**—Fairman, Harris & Co., Inc., Chicago, Ill.

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★ **Peoples Securities Corp., New York**
Aug. 11 filed 74,280 shares of capital stock. **Price**—$11 per share. **Proceeds**—For investment. **Office**—136 East 57th Street, New York, N. Y. **Underwriter**—None.

● **Petaca Mining Corp., Santa Fe, N. Mex. (9/15)**
June 9 filed 600,000 shares of cumulative sinking fund preference stock and 300,000 shares of 10-cent par common stock to be offered in units of two preference shares and one common share. **Price**—$3 per unit. **Proceeds**—To retire 40,526 shares of outstanding preferred stock, for power line extensions and electric transformers, equipment and machinery, exploration and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ **Public Service Co. of Colorado (10/4)**
Sept. 2 filed $20,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Dean Witter & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Oct. 4.

★ **Quinby Plan, Rochester, N. Y.**
Sept. 2 filed $1,250,000 of Quinby Plans for Accumulation of Common Stock of Eastman Kodak Co.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

★ **Rare Metals Corp. of America, El Paso, Texas**
Aug. 26 (letter of notification) 300,000 shares of capital stock to be offered to employees and officers of El Paso Natural Gas Co., its subsidiaries, and Western Natural Gas Co. and its subsidiaries. **Price** — At par ($1 per share). **Proceeds**—To pay balance due on claims, assessment work, acquisition of capital stock of San Francis Metals Co. and for working capital. **Offices** — Bassett Tower, El Paso, Tex., and 919 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—None.

● **Resort Airlines, Inc., Miami, Fla.**
Aug. 5 (letter of notification) 1,361,972 shares of common stock (par 10 cents) being first offered to stockholders of record July 30, 1954 (with an oversubscription privilege); rights expire Sept. 10. **Price**—20 cents per share. **Proceeds** — For maintenance of equipment, to reduce accounts payable and for working capital. **Address**—Box 242, International Airport, Miami, Fla. **Underwriter**—None.

● **Riddle Uranium Mines, Inc. (9/14)**
Aug. 20 (letter of notification) 2,000,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 950 Pinyon St., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

★ **Sabre Uranium Corp., Dallas, Texas**
Sept. 2 filed 1,400,000 shares of common stock (par 10 cents). **Price** — $1.25 per share. **Proceeds**—To pay for options, exploration and development and to be used for other general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Tex.

San Diego Gas & Electric Co. (9/20)
Aug. 24 filed 800,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record Sept. 14 on the basis of one new share for each four shares held; unsubscribed shares to be offered first to employees. Rights are to expire on Oct. 5. Subscription period will open Sept. 20, with warrants to be mailed about Sept. 18. **Price**—To be supplied by amendment. **Proceeds**—To retire $5,000,000 of bank loans and to reimburse the company for construction made. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

Santa Fe Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development of properties. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

Selevision Western, Inc.
Aug. 27 (letter of notification) 240,000 shares of class A convertible stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital, etc. **Underwriter**—Whitney-Phoenix Co., Inc., New York.

★ **Seneca Gas & Oil Co., Baltimore, Md.**
Sept. 1 (letter of notification) 299,500 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office**—5300 York Road, Baltimore, Md. **Underwriter**—John Deleys, same address.

Shasta Copper & Uranium Co., Inc.
Aug. 6 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Office**—612 Dooly Building, Salt Lake City, Utah. **Underwriter** — To be named by amendment.

Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

★ **Southwest Oil Corp., N. Y.**
Aug. 30 (letter of notification) 17,880 shares of common stock to be issued as bonus shares (to purchasers of the current offer by the company on a basis of one bonus share for each 10 shares purchased at 75 cents per share), to be offered by Bernard F. Dudley, President, who will receive no proceeds. **Underwriter** — Kelleher & Co., Washington, D. C.

★ **Sprague Engineering Corp., Gardena, Calif. (9/27)**
Sept. 7 filed 142,500 shares of common stock (par $1). **Price**—To be supplied by amendment, of which the company will offer 112,500 shares, the remaining 30,000 shares to be offered for account of selling stockholders **Proceeds**—To repay bank loans and for other general corporate purposes. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

● **Standard Coil Products Co., Inc. (9/15)**
Aug. 17 filed 189,655 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—A. C. Allyn & Co., Inc. and Dempsey & Co., both of Chicago, Ill.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

★ **Superior Uranium Co., Las Vegas, Nev.**
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

Supermarket Merchandisers of America, Inc. (9/15-16)
July 15 (letter of notification) 199,700 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital and business expansion. **Office**—3219 "B" St., Philadelphia, Pa. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Tampa Electric Co. (9/22)
Aug. 16 filed 50,000 shares of cumulative preferred stock, series B (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; White, Weld & Co. and R. W. Pressprich & Co. (jointly); Goldman, Sachs & Co. **Bids**—Scheduled to be received up to 11 a.m. (EDT) on Sept. 22 at 49 Federal Street, Boston, Mass.

Tennessee Gas Transmission Co. (9/14)
Aug. 27 filed $65,000,000 of debentures due Sept. 1, 1974. **Price**—To be supplied by amendment. **Proceeds**—To redeem $41,300,000 of 4⅞% and 5% debentures and to reduce bank loans. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc.

Texas International Sulphur Co. (9/15)
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers Brothers, New York, on a "best efforts" basis.

★ **Thermometer Corp. of America, Springfield, Ohio**
Aug. 27 (letter of notification) $150,000 of 5½% first mortgage bonds due Aug. 15, 1969, and 3,400 shares of 6% cumulative preferred stock (par $25). **Proceeds**—For expansion and working capital. **Office** — 567 East Pleasant St., Springfield, O. **Underwriter** — The Ohio Company, Columbus, O.

★ **Thompson Products, Inc., Cleveland, Ohio**
Aug. 25 (letter of notification) 3,300 shares of common stock (par $5). **Price**—At market. **Proceeds**—To certain selling stockholders (employees of company). **Underwriter**—None. **Office**—23555 Euclid Ave., Cleveland 17, Ohio.

Thompson-Starrett Co. Inc., New York
July 29 filed 145,000 shares of cumulative convertible preferred stock (par $10). **Price** — To be supplied by amendment. **Proceeds**—To repay $1,000,000 bank loans and for general corporate purposes. **Underwriters**—Blair & Co., Inc. and Emanuel, Deetjen & Co., both of New York. **Offering**—Temporarily postponed.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

Titan Manganese Mining Corp.
July 12 (letter of notification) 299,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—A. L. Albee & Co., Boston, Mass.

★ **Tri-Continental Corp.**
Sept. 8 filed 810,740 shares of new $2.70 cumulative preferred stock (par $50) to be offered in exchange for the presently outstanding $6 preferred stock (no par value) on the basis of two new shares for each $6 preferred share held. Unexchanged $6 preferred stock will be called for redemption on Oct. 31, 1954. **Underwriter**—Union Securities Corp., New York.

● **U. S. Fiberglass Industrial Plastics, Inc. (9/20)**
Aug. 27 (letter of notification 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For additional eqiupment, further research and development of new products and new products design, and for working capital. **Underwriter** — General Investing Corp., New York.

★ **Urainbow, Inc., Salt Lake City, Utah**
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

Vigorelli of Canada, Ltd. (Canada)
Aug. 9 (Regulation "D") 96,770 shares of 8% preferred stock (par $2) and 96,770 shares of common stock (par $1) in units of one share of each class. **Price**—$3.10 per unit. **Proceeds**—For exploration and development expenses. **Office**—1812 St. Catherine St. West, Montreal, Canada. **Underwriter**—B. Fennekohl & Co., New York.

Warren Oil & Uranium Mining Co., Inc., Denver, Colo.
Aug. 6 filed 65,000,000 shares of common stock (par one cent). **Price**—7½ cents per share. **Proceeds**—To purchase mining claims and exploratory equipment, and for exploration costs. **Underwriter**—Weber Investment Co., Salt Lake City, Utah.

Webb (H. S.) & Co., Glendale, Calif.
Aug. 9 (letter of notification) 6,000 shares of 7% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—To retire funded debt, increase working capital and remodel store. **Office**—139 North Brand Boulevard, Glendale, Calif. **Underwriter** — Wagenseller & Durst, Inc., Los Angeles, Calif.

Welex Jet Services, Inc. (9/16)
Aug. 27 filed 68,528 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each five shares held as of Sept. 10. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Laird & Co., Wilmington, Del., and First Southwest Co., Dallas, Texas.

★ **Welex Jet Services, Inc.**
Aug. 23 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$24.50 per share. **Proceeds**—To Robert H. McLemore, the selling stockholder. **Office**—1400 E. Berry St., Fort Worth, Tex. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

★ **Western Arkansas Telephone Co.**
Aug. 23 (letter of notification) 2,500 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—To repay liabilities incurred for construction. **Office**—317 Main St., Russellville, Ark. **Underwriter**—None.

Western Development Co. (9/14)
Aug. 20 filed 360,000 shares of capital stock (par $1) and 60,000 subscription warrants, of which 300,000 of the shares are to be presently publicly offered. **Price**—$5 per share. **Proceeds** — To purchase certain royalty interests located in New Mexico and Colorado and for general corporate purposes. **Office** — Santa Fe, N. M. **Underwriter**—J. G. White & Co., Inc., New York.

● **Western Massachusetts Electric Co. (9/20)**
Aug. 31 filed $6,000,000 first mortgage bonds, series B, due Oct. 1, 1984. **Proceeds**—To repay bank loans incurred for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Blair & Co., Inc. **Bids**—To be received up to noon (EDT) on Sept. 20 at 201 Devonshire Street, Boston 10, Mass.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

★ Wisconsin Power & Light Co. (10/5)
Sept. 7 filed $18,000,000 of first mortgage bonds, series H, due Oct. 1, 1984. **Proceeds**—To redeem $8,000,000 4% first mortgage bonds sold last year and the balance to repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Lehman Brothers, Bear, Stearns & Co., Reynolds & Co. and L. F. Rothschild & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected about Oct. 5.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

★ Alabama Gas Corp.
Sept. 8 it was announced that company has applied to the Alabama P. S. Commission for authority to issue and sell 84,119 additional shares of common stock to common stockholders on the basis of one new share for each 10 shares held. It is understood that any shares not subscribed for will be underwritten.

• Anglo California National Bank (10/11)
Aug. 31 it was stated that stockholders will vote Oct. 5 on authorizing the offering to stockholders of 262,500 additional shares of capital stock (par $20) on the basis of one new share for each four shares held about Oct. 9; with rights to expire Nov. 1. **Price**—$45 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

★ Central Louisiana Electric Co., Inc. (10/5)
Aug. 31 it was reported company plans offering of $3,275,000 convertible debentures due 1964, to common stockholders. **Proceeds** — To refund $2,880,000 4½% debentures due 1972. **Underwriter**—Kidder, Peabody & Co., New York. **Registration**—Expected about Sept. 15.

★ Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. **Underwriter**—May be determined by competitive bidding. Probable bidders; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly).

Chesapeake & Ohio Ry.
Aug. 23 it was reported company may be considering a plan to refund its outstanding $37,851,000 3⅞% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

Chicago, Milwaukee, St. Paul & Pac. RR. (9/9)
Bids will be received by the company up to noon (CDT) on Sept. 9 at Room 744, Union Station Building, Chicago 6, Ill., for the purchase from it of $2,700,000 equipment trust certificates, series SS, to be dated July 1, 1954 and to mature in 30 semi-annual installments of $90,000 each from Jan. 1, 1955 to and including July 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. **Underwriter** — May be Tellier & Co., Jersey City, N. J.

★ Continental Uranium, Inc.
Sept 8 it was reported company plans to register with the SEC next week 500,000 shares of common stock. **Price**—Expected around $2.50 per share. **Proceeds**—For expansion. **Underwriter**—May be Van Alstyne, Noel & Co., New York.

★ Cortland Equipment Lessors, Inc.
Aug. 31 it was reported this corporation, a subsidiary of Safeway Stores, Inc., may sell notes and debentures totaling $60,000,000 to $70,000,000. **Proceeds**—To repay bank loans which are understood to amount to between $50,000,00 and $60,000,000 at the present time. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

★ First National Bank in Dallas (Texas) (9/21)
Sept. 1 it was announced that this Bank plans to offer to its stockholders of record Sept. 21 rights to subscribe on or before Oct. 6 for 200,000 shares of additional capital stock (par $10) on the basis of one new share for each nine shares held. **Price**—$25 per share. **Proceeds**—To increase surplus, capital and undivided profits account. **Underwriters** — Previous offering was underwritten by Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

First National Bank of San Jose, Calif.
Aug. 23 it was announced stockholders were to vote Sept. 8 on increasing the authorized capital stock from 12,500 shares to 15,000, shares, the additional 2,500 shares to be offered to stockholders on the basis of one new share for each five shares held. **Price**—$100 per share. **Proceeds**—For expansion and to increase capital stock account.

★ Florida Power & Light Co. (10/27)
Sept. 7 it was reported company is considering raising about $10,000,000 for its construction program. **Underwriter**—For any bonds to be determined by comeptitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Lehman Brothers (jointly); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. **Bids**—Expected about Oct. 27.

★ Georgia Gas Co.
Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contemplates the issue and sale to residents of Georgia of $300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

Gulf, Moblie & Ohio RR.
Aug. 23 it was reported company may consider the issuance of about $25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3¾s due 1975 and 1969, respectively; collateral trust 3¾s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

★ Gulf Sulphur Corp.
Sept. 6 it was reported that early registration is expected of 92,370 shares of 60-cent cumulative convertible preferred stock (each share to be convertible into two shares of class B common stock). It is expected that this financing will be underwritten by Fridley & Hess and Crockett & Co., both of Houston, Tex.

Hazel Bishop, Inc., New York
Aug. 30 it was reported registration of about 250,000 shares of common stock is expected (part for new money and part for selling stockholders). **Business**—Cosmetics. **Underwriter**—Hayden, Stone & Co., New York.

Household Finance Corp.
Aug. 27 it was announced preferred stockholders will vote Oct. 7 on increasing the authorized amount of preferred stock (par $100) from 312,000 shares to 592,000 shares. **Underwriters**—Lee, Higginson Corp. and Kidder, Peabody & Co., both of New York; and William Blair & Co., of Chicago and associates.

Illinois Central RR. (9/9)
Aug. 20 it was announced company plans sale of $60,000,000 first mortgage bonds, series H, due 1989. **Proceeds**—For redemption of 3⅞% series E bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Drexel & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on Sept. 9 at office of Davis, Polk, Wardwell, Sunderland & Kiendl, 15 Broad St., New York 5, N. Y.

★ Incorporated Income Fund (10/14)
Sept. 8 it was announced this Fund plans to issue and sell between 750,000 and 1,000,000 shares of common stock. **Price**—Expected at around $8 per share. **Proceeds**—for investment. **Underwriter**—Kidder, Peabody & Co., New York. **Registration**—Scheduled for about Sept. 14.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell $15,000,000 first mortgage bonds, series F. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids** — Expected to be received in October or November.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell to its common stockholders some additional common stock, either on a 1-for-9 or an a 1-for-10 basis. At April 30, 1954, there were outstanding 2,286,784 shares. **Underwriters**—Previous common stock offering, in April, 1953, was underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Sons and associates.

Laclede Gas Co.
Aug. 6 it was reported company plans to issue and sell $20,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Stone & Webster Securities Corp.; Lehman Brothers; Blair & Co., Inc. and Drexel & Co. (jointly). **Bids**—Expected in October.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.

• Louisiana Power & Light Co. (10/20)
Sept. 6 it was reported company plans to issue and sell $18,000,000 of first mortgage bonds due 1984. **Proceeds**—To redeem $12,000,000 4% bonds due 1983, and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Wertheim & Co. (jointly); Blyth & Co., Inc.; W. C. Langley & Co., The First Boston Corp. and Glore Forgan & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected Oct. 20. **Registration**—Scheduled for Sept. 19.

Louisville & Nashville RR. (9/30)
July 7 it was reported that the company may issue and sell late in 1954 $30,350,000 of new first and refunding mortgage bonds due 2003. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected Sept. 30.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

Mexican Gulf Sulphur Co.
Aug. 30 it was reported company plans issue and sale of 200,000 additional shares of common stock. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

National City Bank of New York (9/30)
Aug. 10 directors authorized a meeting of stockholders to be held on Sept. 20 to vote on a proposal to increase the capital and surplus of the company by $131,250,000 through the sale of 2,500,000 additional shares of capital stock (par $20) to stockholders early this fall for subscription on the basis of one new share for each three shares held as of Sept. 24; with rights to expire on Oct. 22. Subscription warrants will be mailed on or about Sept. 30. **Underwriter** — The First Boston Corp. will head group.

New York Telephone Co. (10/19)
Aug. 25 directors authorized issue and sale of $75,000,000 of 35-year refunding mortgage bonds. **Proceeds** — To refund $35,000,000 of 3⅞% series G bonds and repay bank. loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received on Oct. 19

Northern Pacific Ry. (9/23)
Aug 26, Robert S. MacFarlane, President, announced company plans to sell $52,000,000 of collateral trust bonds due Oct. 1, 1984. **Proceeds**—For refunding. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc. **Bids**—Expected to be received up to noon (EDT) on Sept. 23.

Pacific National Bank, San Francisco, Calif.
Aug. 18 it was announced common stockholders of record Aug. 16 were given the right to subscribe on or before Sept. 9 for 47,685 additional shares of common stock (par $20) on the basis of one new share for each two shares held. **Price**—$28.50 per share. **Proceeds**—$340,000 to retire outstanding preferred stock and the remainder to be added to capital and surplus. **Underwriter**—Elworthy & Co., San Francisco, Calif., and associates.

★ Pacific Telephone & Telegraph Co. (11/16)
Sept. 2 the directors authorized the issue and sale of $50,000,000 of 35-year debentures to be dated Nov. 15, 1954. **Proceeds**—To redeem a like amount of 31-year 4% debentures due Sept. 15, 1984. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co., Lehman Brothers and Union Securities Corp. (jointly). **Bids**—Expected to be received at 195 Broadway, New York, N. Y., on Nov. 16.

Pembina Pipe Line Co. (Canada)
April 14 it was announced company has been granted the right to obtain a permit to build a 72-mile pipe line to transport crude oil from the Pembina Oil Field in Alberta to Edmonton. Financing will be handled jointly by Mannix Ltd. of Calgary, Dome Exploration (Western) Ltd. of Toronto, and Carl M. Loeb. Rhoades & Co. of New York.

Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.
Aug. 24 it was announced stockholders will be offered the right to subscribe to 100,000 shares of common stock (par $10) on the basis of new new share for each 14 shares held. **Price**—To be named later. **Proceeds**—To increase surplus and capital accounts. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Merrill Lynch, Pierce, Fenner & Beane and Smith Barney & Co., of New York.

Progas of Canada, Inc.
July 13 it was announced company plans to issue and sell to its stockholders an additional 1,200,000 shares of capital stock on the basis of slightly less than one new share for each four shares held (with an oversubscription privilege). **Price**—At par (25 cents per share). **Proceeds** — For capital improvements and working capital. **Underwriters** — Consolidated Coppermines Corp. and Burnham & Co., New York, have agreed to purchase, in proportions of two-thirds and one-third respectively, any of the unsubscribed shares.

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Public Service Co. of Oklahoma

Aug. 28 it was reported that company may issue and sell 75,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co.

★ Public Service Co. of Oklahoma

Sept. 2 it was reported company may sell between $20,000,000 and $25,000,000 of first mortgage bonds in January. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Shields & Co.

Puget Sound Power & Light Co.

April 5 the directors approved a program designed to refund the company's long-term debt. Bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp.

Reaction Motors, Inc., Rockaway, N. J.

Aug. 7 it was reported company plans a small offering of additional capital stock (par $4) to its stockholders. Mathieson Chemical Corp. owns 50% of the presently outstanding shares, which are being split-up on a two-for-one basis.

Resources of Canada Investment Fund, Ltd.

April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

Ritter Finance Co.

Aug. 17 stockholders were to vote on a proposal to increase the authorized preferred stock (par $50) from 14,000 shares to 50,000 shares, and the authorized class B common (par $1) from 950,000 shares to 2,000,000 shares. **Underwriter** — Stroud & Co., Inc., Philadelphia, Pa.

Rochester Gas & Electric Corp.

May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. **Proceeds** — For new construction. **Underwriters** — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

St. Joseph Light & Power Co.

March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of $1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost $1,661,000. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

Savage Industries, Inc., Phoenix, Ariz.

Aug. 9 it was announced company plans later this year to issue and sell an additional block of 75-cent cumulative convertible preferred stock (par $1), expected to gross around $250,000. **Proceeds**—For expansion and acquisitions. **Underwriter**—Probably Pacific Coast Securities Co., San Francisco, Calif.

Savannah Electric & Power Co. (10/26)

Aug. 10 it was announced company plans to sell $5,000,000 of first mortgage bonds, $3,000,000 of debentures and 30,000 shares of $100 preferred stock. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); The First Boston Corp.; Stone & Webster Securities Corp.; Blair & Co., Inc. **Registration**—Planned for Sept. 22. **Bids**—Expected Oct. 26.

Scott Paper Co.

April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

• Sierra Pacific Power Co. (10/6)

Sept. 7 it was announced company plans to offer to stockholders of record about Oct. 6 a total of 34,807 shares of common stock (par $15) on the basis of one share for each 10 common shares held and one share for each five preferred shares held; rights to expire Oct. 22. **Price**—Not less than $30 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp. and Dean Witter & Co.

• Sierra Pacific Power Co. (10/25)

Sept. 7 it was announced company plans to issue and sell $4,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly); Kidder, Peabody & Co. **Registration** — Planned for Oct. 8. **Bids** — Expected about Oct. 25.

South Georgia Natural Gas Co.

Aug. 5 company was authorized to construct a 368.3-mile gas transmission system to serve new market areas in Georgia and Florida, estimated to cost $8,969,429. This expansion will be financed though sale of first mortgage bonds and junior securities. **Underwriter**—Shields & Co., New York.

Southern Pacific RR. Co.

July 28 it was announced company has applied to the ICC for authority to issue $21,091,000 of first mortgage bonds due Jan. 1, 1996. **Proceeds**—To reimburse treasury for capital expenditures previously made. There will be no private or public offering, the bonds to be retained in company's treasury.

• Spencer Chemical Co. (9/28)

Aug. 23, Kenneth A. Spencer, President, announced company plans to issue and sell 150,000 shares of a new preferred stock (par $100). **Price**—To be named later. Proceeds—To redeem 76,865 outstanding shares of 4.60% preferred stock at $102.50 and accrued dividends, and for general corporate purposes. **Underwriters**—Morgan Stanley & Co. and Goldman, Sachs & Co. **Meeting**—Stockholders on Sept. 24 will vote on authorizing 250,000 shares of new preferred stock. **Registration**—Expected Sept. 9.

Texas Power & Light Co. (10/18)

Aug. 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1984. **Proceeds**—To refund $5,000,000 3⅞% bonds due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; Kuhn, Loeb & Co.; Equitable Securities Corp. **Registration**—Planned for Sept. 23. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Oct. 18 at Room 2033, Two Rector Street, New York 6, N. Y.

Trans-Canada Pipe Lines, Ltd.

March 26 it was announced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.

March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Virginia Electric & Power Co.

Aug. 20 directors approved in principle a plan to sell 600,000 additional shares of common stock this Fall. They will be offered to common stockholders at the rate of one new share for each 10 shares held on the record date, which is presently expected to be in November. **Proceeds** — To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp.

West Coast Transmission Co.

Oct. 14, 1953, it was announced company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Western Maryland Ry. (9/15)

July 13 it was announced company plans to issue and sell $16,000,000 of first mortgage bonds, series C, due Oct. 1, 1979. **Proceeds**—To redeem $12,632,000 of first mortgage bonds, series B, due 1976, and the remainder used to reimburse company for expenditures for capital improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 15.

Western Pacific RR. Co.

Aug. 31 directors approved a proposal whereby holders of 225,000 shares of outstanding preferred stock will be offered a voluntary exchange for units consisting of $100 of new 5% 30-year income (sinking fund) debentures and one-sixth of a share of common stock for each share of preferred stock held. The remaining 83,211 shares of preferred stock will be called for payment. The exchange offer will be underwritten by Blyth & Co., Inc. and Union Securities Corp.

Western Pacific RR. Co.

June 30 stockholders approved a proposal to allow company to sell first and refunding bonds without obtaining approval of preferred stockholders. It is planned to issue and sell $6,500,000 of these bonds. **Proceeds**—To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Wheeling Electric Co.

June 28 it was announced company plans permanent finnacing. **Proceeds**—To retire bank loans. **Underwriter**—Previous bond financing in 1922 was handled by Dillon, Read & Co. Inc.

Wisconsin Public Service Co.

July 28 it was reported company is considering the issuance of about $12,500,000 new securities. **Proceeds**—To refund $8,000,000 outstanding first mortgage 4⅛% bonds due 1983 and for new construction. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Union Securities Corp. (jointly); White, Weld & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Dean Witter & Co.; The First Boston Corp. Previous common stock offer was underwritten by The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Robert W. Baird & Co., Inc.; and William Blair & Co.

Halsey, Stuart Group Offer Utility Bonds

Halsey, Stuart & Co. Inc. heads a syndicate offering $7,000,000 Montana-Dakota Utilities Co. first mortgage 3⅜% sinking fund bonds due March 1, 1975, at 101.409% and accrued interest, to yield 3.28%. The group won award of the issue at competitive sale yesterday (Sept. 8) on a bid of 100.7099%.

Net proceeds from the sale of the sinking fund bonds, together with funds received from the concurrent sale of $5,000,000 first mortgage bonds, will be applied by the company to the redemption of $2,550,000 of outstanding 4.50% serial bonds maturing $150,000 annually June 1, 1955-1971, which will require $2,632,890 including redemption premiums, and toward the prepayment of $10,000,000 of bank notes due June 1, 1955, incurred in connection with the construction program.

The first mortgage sinking fund bonds will be redeemable at regular redemption prices ranging from 104.41% to par, and for the sinking fund, on each March 1, 1956-1974, at prices running from 101.41% to par, plus accrued interest in each case.

Montana-Dakota Utilities Co. is a public utility operating company carrying on a natural gas and electric public utility business in Montana, North Dakota, South Dakota, and Wyoming. The company also does a limited manufactured gas (butane) and steam heat business and sells gas and electric appliances to customers. Total operating revenues in 1953 were derived approximately 55% from the sale of natural gas, 43% from the sale of electricity and 2% from the sale of steam and manufactured gas and from other sources.

For the 12 months ended May 31, 1954, the company, in an unaudited report, showed total operating revenues of $20,849,903 and net nicome of $2,611,508. These figures compared with total operating revenues of $19,475,188 and net income of $2,122,348 for the year 1953.

Five With King Merritt

(Special to The Financial Chronicle)

MIAMI, Fla.—Oscar W. Benndorf, William E. Hancock, Jr., Henry W. Hoffman, Verdo C. Sanderson and James B. Williams have become associated with King Merritt & Co., Inc., Chamber of Commerce Building. Mr. Williams was formerly with Eisele & King, Libaire, Stout & Co. and H. Hentz & Co.

Cavendish Uranium Shares All Sold

It is announced that the recent public offering by James Anthony Securities Corp., New York City, of 230,000 shares of common stock of Cavendish Uranium Mines Corp. at $1 per share has been completed, all of said shares having been sold.

Drill tests on the Canadian properties of Cavendish Uranium Mines Corp. have shown deposits of columbium and tantalum as well as uranium oxide, Frank Danielson, President, disclosed on Sept. 7. Samples show deposits of 20% columbium and 10% tantalum, the announcement stated. Columbium and tantalum are both rare earths, used in the production of jet aircraft and the hardening of steel.

Four Corners Uranium Common Stock Offered

Campbell, McCarty & Co. Inc., Detroit, Mich., yesterday (Sept. 8) offered 500,000 shares of common stock (par $1) of Four Corners Uranium Corp. at $2 per share "as a speculation."

Four Corners Uranium Corp. was organized under Colorado laws in 1949 for the purpose of acquiring, exploring and developing mining properties. As of July 15, 1954, it had outstanding 1,268,135 shares of stock.

Proceeds of the present offering are to be used for the payment of a $40,000 bank loan and a $90,000 note, and for the payment of $132,500 on contracts for the purchase of certain claims and properties. An additional $50,000 is to be used for exploratory drilling and $512,500 for working capital and unforseen contingencies.

Continued from page 7

The Fight for Free Trade

Program in the 83rd Congress. Of course, I regretted that he found it unwise to press for passage of my bill in the last session, but I believe that his decision was justified under the circumstances that then existed. There never is any use of tilting against windmills.

Lets look at the situation on that date. The Ways and Means Committee was in the middle of its consideration of the Social Security Bill. We were not able to bring this to the floor until June first. Then we had scheduled the Unemployment Compensation Bill and finally we knew that the tax bill would come back from the Senate and that the conference on this would engage the services of the senior members of our Committee until at least July. Thus it would have been impossible to consider any such important bill as mine until late July.

Those opposed to the lower tariff were insisting that there must be extended hearings and they had a perfect right to do so, so it is certain that a bill could not be reported out by our Committee until August.

At that late date it would have been impossible for the Senate to consider it before adjournment. So the President's position was realistic.

You must also remember three practical considerations why there were question as to the wisdom of bringing the bill up then. As we all know, this spring we were stil in a slight business recession. Any time when there is a slowing in business is a poor time to consider tariff reductions. When employers have to refuse to raise wages, when they have to let out some of their employees, they will search for any excuse they can find to blame some outside consideration for what they have to do and, if just a few competitive goods are being imported and sold, they sieze upon the opportunity to place the blame thereon.

Also, in an election year such as this, the influence of the few who may be losing jobs, owing to imports, can be strong on the Congressional candidate. If a worker feels that his Congressman had a part in helping him lose his job, he will be a strong supporter of the opposing candidate.

Also, in order to make sure of passage of the program, more education is definitely needed to get public opinion fully behind the President's Trade Program.

Though I regret that my Bill HR 8630 was not enacted into law by the 83rd Congress, the Administration in achieving a one-year renewal of the Reciprocal Trade Act without legal restrictions or without any private understandings, has received all the authority that it needed this year. The only negotiation which the Administration had any intention of commencing this year was with Japan.

The situation in Japan seems almost an unsurmountable one but it is a problem for which we must find an answer. It is imperative to the security of the United States that Japan stay on the side of the free world. There are three major market areas to which Japan could look for expanded trade — the Soviet Bloc the United States or the other free nations. Since Japan must import most of its raw materials and about one-fourth of its food, it needs to have access to world markets and be able to compete for them on equal terms. Japan's trade deficit in 1953 is estimated to be $1.135 billion.

Obviously we do not want Japan to become heavily dependent upon the Soviet Bloc for trade outlets, but our business men do not want to open our markets to an indiscriminate flow of cheaply made competitive Japanese goods. We are trying to avoid this by making third markets more available.

Japan is under terrific pressure from an expanding population without a corresponding increase in economic activity. If it cannot increase its trade, levels of living will drop in Japan, thus making it more susceptible to the spread of communist subversion within its borders. Increased trade would provide the economic foundation upon which Japan could build her own strength and thus be maintained as a strong arm of the free nations. It is hoped that negotiations now under way will solve at least part of the problem.

To conclude, I have great hope that the President's trade program will be enacted into law during the 84th Congress whatever its political complexion. But it will not be unless public opinion is educated and the weight of that public opinion is expressed to each member of Congress by his constituents. That is where you can and must help.

Peter Morgan & Co. Offers Uranium Shares

Peter Morgan & Co. of New York City are offering publicly 210,000 shares of common stock (par 10 cents) of Rocky Mountain Uranium Corp. at $1.15 per share "as a speculation."

Rocky Mountain Uranium Corporation's mining property consists of leases and assignments of and options to acquire mining claims covering lands located in the Colorado Plateau region in San Juan, Lane, Garfield, and Emery Counties, Utah, and in San Juan County, New Mexico. The company is presently conducting exploratory operations and has shipped a small amount of ore encountered in such operation. The company intends to engage generally in the acquisition, exploration and development of uranium properties.

The net proceeds are intended to be used as follows: $28,000 for the payment of the unpaid purchase price of Circle Cliffs No. 1 claims: $15,000 for the core drilling on aforementioned claims and on La Sal Junction and Boyd claims; $16,000 for exploratory drilling on Circle Cliffs No. 2 claims; and $105,000 for working capital.

Remele-Johannes Opens

(Special to The Financial Chronicle)

GRANVILLE, Ohio. — Remele-Johannes & Co. has been formed with offices at 118 East Broadway to engage in the securities business. Officers are George P. Johannes, President; James W. Remele, Vice-President; and J. M. Andrew, Secretary and Treasurer. Mr. Johannes and Mr. Remele were formerly with Slayton & Co., Inc.

Stern, Frank Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James F. Greig has been added to the staff of Stern, Frank, Meyer & Fox, 325 West Eighth Street, members of the New York Stock Exchange.

With Loeb, Rhoades Co.

Eugene E. Kelly, Jr., has become associated with Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange, in the firm's municipal bond department.

Our Reporter's Report

Investors, particularly institutions that hold outstanding issues up for refunding, will have their first opportunity in a long while to look over a series of new offerings by several railroads within the next fortnight.

All told, four carriers will place a total of approximately $160,000,000 of new bonds on the market for competitive bidding by bankers in that interval. The railroad parade gets away today when Illinois Central R.R. is scheduled to open bids for $60,000,000 of first mortgage 35-year bonds to finance redemption of outstanding 3⅞s, due 1982 but callable at any time.

Institutions have been a bit on the cool side in recent years as far as railroad obligations are concerned. But market observers feel none the less that in view of the splendid record of this north-south trunk line over a period of years, the current issue will find good reception among insurance companies, pension funds and other buyers.

There is broad interest indicated they say, particularly if the bonds are brought out at a price to yield 3.30% to 3.40%. But, at the same time, they note that the road cannot expect to do quite as well cost-wise at the moment as it might have a month or so back.

The fact remains that the seasoned market, in the interval, has undergone something of a correction and, as a consequence, current yields are a bit more generous than was the case early in August. All agree it will be interesting to discern investor response.

Three More Rail Issues

Over the balance of the month three additional carriers will be in the market with refunding issues. Western Maryland will be first and is slated to open bids next Wednesday for $16,000,000 of 25-year bonds designed chiefly to retire $13,846,000 in outstanding 4½s due in 1976.

The following week Northern Pacific will offer bankers $52,000,000 of collateral trust bonds maturing in 30-years contemplating use of the proceeds to retire outstanding 4½s and 5s.

And, at the month-end, Sept. 30, Louisville & Nashville will be in the market with $30,350,000 of 49-year bonds, due 2003, to provide funds for redemption of outstanding 4s, due in 1955. Thus those who look over the new rail issues will have quite a choice of maturities.

Quiet Before Rush

The relative calm of the moment in the new issue market will prove short-lived unless something now unforeseen happens to set back marketing of big undertakings going into registration.

Tennessee Gas Transmission Corp.'s projected $65,000,000 of 20-year debentures will serve to liven up things in the week ahead. Bids are due on Tuesday.

With this breathing spell out of the way, bankers will proceed with shaping thir bids for the following week's behemoth offering by American Telephone & Telegraph Co.

First straight offering in several years by the giant communications enterprise, this one entails $250,000,000 of 30-year debentures and probably will bring into competition the usual two alignments of banking firms.

Clearing Shelves

Cutting loose of the recently offered issues which carried yields of just under 3% has tended to clear the shelves of dealers around the country and put them in good shape for forthcoming business.

Reports indicate that such remnants have been pretty well whittled away. The only major offerings of which any considerable amounts remain unsold are reported as those of Niagara Mohawk Power Co., and Southern Bell Telephone & Telegraph Co. It is calculated that some 25% to 35% of those issues still are available.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Some of the business men in whom certain key Administration officials habitually prefer to place their confidences over friendly members of Congress, are going to be let down badly if after coming from the marble governmental palaces they get to thinking that business will get a substantial measure of tax relief from Congress in 1955.

There is only one certainty about the tax picture for 1955. That is, there will be a tax bill enacted in 1955 or the Administration will have troubles. This is because of the fact that the 52% corporation rate drops back to 47% and several productive excises also drop in rate next April unless Congress takes affirmative action to extend the higher rates.

While the Administration has yet taken no public position, it is doubted that it could afford to let receipts fall by this sum —well in excess of $2 billion— if these rates were not extended. It is also doubted that it would be considered good politics to allow these higher rates to lapse thereby giving relief, as the demagogues would say, to the liquor barons and to business.

Nevertheless, the fiscal arm of the Eisenhower Administration, at least, has not retreated from its philosophy. This is that on principle such men believe taxes are too high and should be lowered as rapidly as possible without unduly jeopardizing the Federal budget.

So, IF the trend toward a lower level of expenditures continues along happily, there might be room for a moderate amount of relief.

However, it is too early to whet any appetites. First, there must be word that for sure a further substantial cut in spending will be achieved in 1956.

Second, any relief obviously depends upon the composition of Congress. If there is Democratic control of either the House or Senate, it will not be possible for the Administration to have its way on taxes—except to keep business taxes high. Conversely, even if they win both Houses, the Democrats, barring a landslide, will be unable to force their version of a bill across en toto over a veto.

No Plans Formulated

In their secret hearts, certain foremost officials of the Eisenhower Administration probably would go for a general manufacturers' sales tax as a means of both equalizing the impact of excise tax rates and getting the Treasury less vulnerable to the volatile character of income tax receipts. However, it would take much more than a high measure of political courage to advocate a Federal sales tax. It would require also a large margin of control over both Houses to give it a chance of getting across.

Marion Folsom, tax Under Secretary of the Treasury, possibly gave the impression that the Treasury was definitely working for reform in a half dozen areas, in his speech Aug. 19 before the American Management Association. However, it is not possible yet to formulate plans. And on the Congressional side, not a wheel is going to turn to develop tax ideas for 1955, at the staff level, until the elections in November determine who is going to call the tune and who is going to advise staff experts what to study.

Service Men Can Invest Via Payroll Deductions

Virtually any kind of a single investment by a Service man or woman could be handled by that investor in uniform by means of a deduction from his military pay.

There was issued Jan. 19, 1954, by the Department of Defense, an Order No. 7330.1 which prescribed what kinds of payroll deductions could and could not be made. This order is, despite its January date, so new that probably only a handful of pay officers know its terms.

In general the payroll deductions of service personnel are permitted only for the purposes for which they have been used customarily or for the support of dependents, the purchase of government life insurance, or the acquisition of U. S. Savings bonds.

However, paragraph 5 of this order permits ONE deduction, and only one deduction, for almost any kind of an investment a Service man or woman chooses to make via the medium of payroll deductions. This could be a deduction for making payments on a house, repaying a loan, purchase of private as distinguished from government life insurance, or for the accumulation of virtually any kind of an investment.

In other words, a person could undertake a regular program for accumulating shares of a mutual fund, or he could build up a share account in a building association. It is reiterated, however, that only one such deduction will be permitted per person. Thus, should a service man buy a private life insurance annuity, he could not have a payroll deduction handled for him also to buy a house, or for a thrift account.

Approach Buyer

From the point of view of the securities dealer, the approach would have to be made to the Service man or woman, not to the military establishment. If a Service man became convinced he wanted to buy regularly into a mutual fund, after determining he wanted to do so, he would then himself have to approach the pay department of his service and ask them to make a deduction from his pay to send the money to the seller, under paragraph 5 of Defense Department Order 7330.1.

In authorizing the deduction the particular Service — Army, Navy, or Air—takes no responsibility whatever for the soundness or desirability of the investment. It doesn't say what is an investment "eligible" for a payroll deduction. The personnel of the Service decides. If an individual determines to invest in Gold Mine Frauds Unlimited, or A T & T, it is all the same under this order.

Fulbright Tops Banking Democrats

Senator J. William Fulbright of Arkansas becomes the No. 1 Democrat on the Senate Banking Committee as a consequence of the death of Senator Burnet R. Maybank of South Carolina.

The Arkansas Senator is 49 and a foremost advocate of international collaboration. When he was a member of the House, early in World War II, he sponsored the "Fulbright Resolution." Passed by the Congress (with former Senator Tom Connally's name substituted as the author of the Senate version), this served notice that Congress was willing, following the war, to join up in an international organization to bring about world peace.

In other words, Mr. Fulbright is generally credited with having taken the initiative in a movement which culminated in committing Congress to approval of what later became known as the United Nations.

A former professor of law at the George Washington University and at the University of Arkansas, of which he was once President, Senator Fulbright also was a Rhodes scholar. When the Republicans won control of the 80th Congress, it was Mr. Fulbright's suggestion that former President Truman resign the Presidency since he had lost the confidence of Congress.

It was this suggestion which generated no inconsiderable emotional antagonism on the part of the former President toward his Democratic Senator from Arkansas, so that when Mr. Fulbright, in company with two other Senators, urged Truman to abolish the old bi-partisan board of the RFC, Mr. Truman refused.

Breaks RFC Scandals

Subsequently Mr. Fulbright in 1950-51 chairmanned the inquiry into RFC scandals. Mr. Truman capitulated to the Senator's persistent suggestion after the scandals were aired, and by Executive Order placed the RFC under the governance of a single Administrator.

Another emotional conflict between men may play some part in one of Senator Fulbright's most active current projects, the campaign against Senator Joseph R. McCarthy of Wisconsin. Senator McCarthy once publicly referred to the Arkansan as "Senator Halfbright."

The Senate Banking Committee is one of a half-dozen major Senate committees, with a residual jurisdiction over economic matters like credit, the Federal Reserve, the SEC, and controls over the economy in the event of war or an emergency.

Senator Fulbright supported the Democrats in 1953 in their demand that Congress enact standby price, wage, rent, and credit controls, a project that failed. He is also an advocate of of legislation further restricting the growth of bank holding companies and requiring them to divest themselves of ownership of non-bank assets.

Death Terminates Partnership

Senator Maybank's death terminates an unique close friendship between himself and the Republican Chairman of the Banking committee, Senator Homer Capehart of Indiana. The two joined on virtually every project before the committee in the 83rd Congress, including opposing the Republican leadership of Congress and standing for controls.

Mendes-France's Background

Key government officials are expected to have before them a summary of some facets of the political background of Premier Mendes-France of France when he comes to this country to discuss collective security and the continuation of American aid to France.

In March 1946 there was held the organization meeting at Savannah, Ga., of the Monetary Fund and World Bank. Mr. Mendes-France was No. 2 man of the French delegation. U. S. officials recall that he was the thickest of friends with the late Harry Dexter White, Assistant Secretary of the Treasury, and Frank Coe, secretary of the U. S. delegation.

Mr. Mendes-France was first elected to the Chamber of Deputies in 1932. The Communists in his constituency withdrew their candidate and supported Mr. Mendes-France. It was said that he was similarly supported in 1936.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I just couldn't stand the boss' yapping about my personal phone calls another minute!"

Business Man's Bookshelf

Businessman Looks at Education, A.—Howard Henderson—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper), 25¢.

How the New Tax Code Affects You—Chamber of Commerce of the United States, 1615 H Street, N. W., Washington 6, D. C. (paper).

Our Public Schools and Their Financial Support — National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y. (paper).

Price Fixing, Controls, and Allocation of Non-Ferrous Metals—W. F. Boericke — American Enterprise Association, Inc., 1012 Fourteenth Street, N. W., Washington 5, D. C. (paper), $1.00 (quantity prices on request).